05

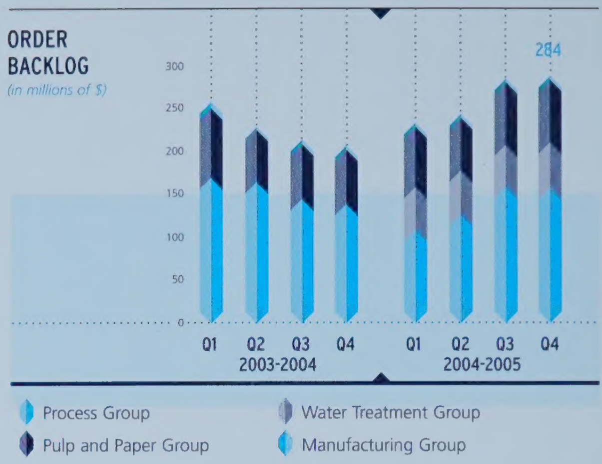
ANNUAL REPORT 2005

MASTER THE PRESENT SHAPE THE FUTURE

GL&V

“GL&V entered the new fiscal year with a record order backlog of $284 million, up 39% over the previous year. Today, as the outlook is favourable in our major markets, all the strategic levers we have chosen to master in recent years – international expansion, market diversification, added value, cost optimization, financial health – are converging to provide GL&V with the potential to achieve new records of growth and value creation.”

Laurent Verreault, President and Chief Executive Officer



Note: before fiscal 2005, the Water Treatment Group's order backlog was included in the Process Group's.

OUTLOOK and OBJECTIVES

Process Group (Dorr-Oliver Eimco): Poised for Several Years of Growth

- In light of the favourable outlook in the mining industry for the next four-to-five years, consolidate its position by taking advantage of its international network, extensive portfolio of proven technologies and impressive installed equipment base;
- Leverage its technologies and know-how to accelerate its growth in other market niches including the energy sector and the chemical and food industries;
- Efficiently manage its growth in order to increase its profit margins, notably through optimization and greater integration of its sales, engineering and outsourcing networks.

Pulp and Paper Group: Profitability and International Development

- Looking forward to a solid financial performance in 2005-2006, given its expanded international presence, better focused approach and improved cost structure;
- Focus on the spare parts market and value-added upgrading services in North America and Europe, while enhancing its presence in emerging markets;
- Increase its profit margins by continually adjusting its cost structure to its market reality;
- Develop or acquire new products in order to grow its offering according to market needs;
- Integrate Perplas' operations in Europe (additional sales of approximately $8.5 million).

Water Treatment Group: Develop an International Platform, including in Europe

- Integrate and turn around its new acquisition in Europe (annual revenues of approximately $15 million and potential for developing these operations through GL&V's international networks);
- Look for further growth and technological development opportunities worldwide, through acquisitions and technological alliances.

Manufacturing Group:

- Expected improvement in demand in some of its markets, such as energy;
- Maintain tight control over expenditures.

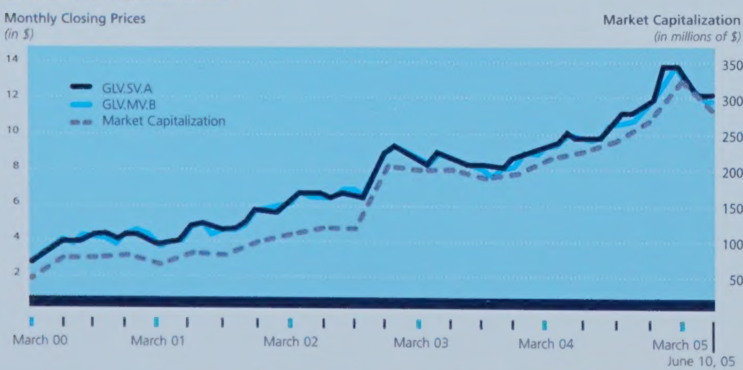
With a track record of ininterrupted operating profitability since its Stock Exchange listing in 1986 and an excellent financial position, GL&V intends to continue driving its growth by focusing on the same key objectives:

- **International development**, particularly by expanding its presence in two key regions – China and India – in order to develop business opportunities in the mining, pulp and paper and water treatment markets, as well as its outsourcing networks;
- **Provider of value-added solutions**, by focusing on proven technologies, leveraging its extensive installed equipment base and the ongoing development of economical and high-performance solutions, jointly with its customers;
- **An optimal cost structure**, based on tight control over operating expenses, a flexible operational structure that can be easily adjusted to market fluctuations, and the development of its outsourcing networks;
- **The pursuit of its role as an efficient consolidator and business integrator** by acquiring businesses offering the potential of a rapid return on investment, proven and complementary know-how and technologies, recognized trademarks and a large installed equipment base.

Master the Present... Shape the Future

GL&V's success will continue to depend on its proven ability to seize existing opportunities and to create new ones.

STOCK PERFORMANCE



5 years compound annual growth rate (GLV.SV.A): 37%

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PROFILE

Founded in 1975, Groupe Laperrière & Verreault Inc. ("GL&V" or the "Company") is a world leader in liquid/solid separation technologies used in a large number of industrial and environmental processes.

:: Its **Process Group** (Dorr-Oliver Eimco) offers a broad range of liquid/solid separation process equipment for metal and ore processing, as well as industrial and environmental processes used in various other sectors such as energy, pulp and paper, chemicals, petrochemicals, and food.

:: The **Pulp and Paper Group** specializes in designing and marketing equipment for various stages of pulp and paper production.

:: The **Water Treatment Group** is focused on the development and marketing of process equipment used in the treatment of drinking water, industrial process water, as well as municipal and industrial wastewater.

:: Lastly, the **Manufacturing Group** produces large custom-made parts for external customers and GL&V's other groups.

Over the last ten years, GL&V has been a major consolidator of its industry and an efficient business integrator, thereby becoming a global supplier operating in some forty countries on six continents with more than 1,400 employees. With its track record of ininterrupted operating profitability since its Strock Exchange listing in 1986 and an excellent financial position, GL&V will continue to base its development strategy on its strong international positioning and growing diversification into high-potential markets.

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SHAREHOLDER FACT SHEET FISCAL 2004-2005

WORLD LEADER IN LIQUID/ SOLID SEPARATION TECHNOLOGIES

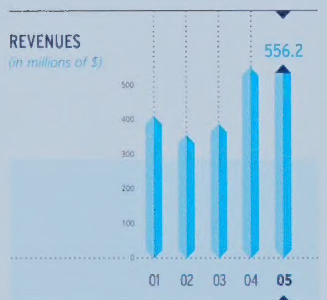
Yielding one of the best financial and stock market performances in GL&V's history, the year 2004-2005 was highlighted by:

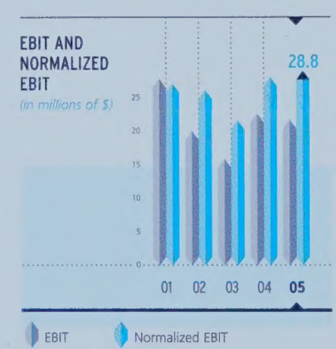
- **the Process Group's remarkable development worldwide;**
- **the Pulp and Paper Group's restructuring, leading to a major turnaround in its profitability; and**
- **the implementation of an expansion strategy for the Water Treatment Group.**

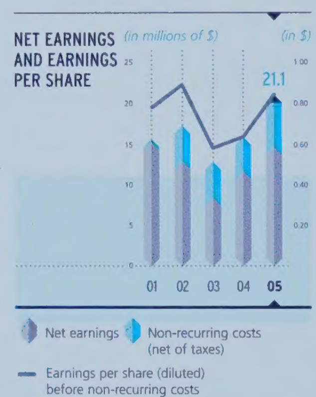
Results for the Fiscal Year Ended March 31, 2005

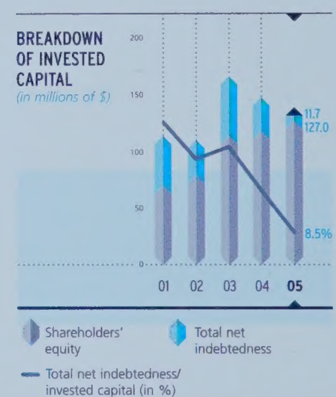
(Per-share figures reflect the two-for-one stock split effective March 24, 2005.)

- **Record revenues** of $556.2 million, up 1.5% over fiscal 2004 (negative impact of $14.8 million from exchange rate fluctuations);
- 41.8% of revenues generated in the **aftermarket**, versus 40.8% in 2004;
- **Non-recurring costs** of $7.7 million, compared with $5.0 million in 2004, mostly related to the Pulp and Paper Group's restructuring (completed in September 2004);
- **Normalized EBIT** (excluding non-recurring costs and other non-recurring items) of $28.8 million, up 4.1% over fiscal 2004;
- **Net earnings** of $14.6 million or $0.61 per share ($0.59 diluted), up 26.0% over $11.6 million or $0.49 per share ($0.47 diluted) in 2004;
- **Excluding non-recurring costs (net of taxes), record net earnings** of $21.1 million or $0.88 per share ($0.86 diluted), compared with $15.8 million or $0.66 per share ($0.64 diluted) in 2004, an increase of 33.7%;
- **Cash flows** from operating activities of $21.9 million (average of $19.9 million over the past five years);
- **Total net indebtedness** reduced by $17.3 million or nearly 60% to $11.7 million as at March 31, 2005 (total net debt to invested capital ratio of 8.5%);
- **Available cash** of $35.6 million as at March 31, 2005;
- **50% appreciation in share price** ($13.50 as at March 31, 2005).









Fourth Quarter (March 31, 2005): GL&V'S BEST QUARTERLY PERFORMANCE EVER

- **Record net earnings** of $6.5 million or $0.27 per share ($0.26 diluted), compared with $4.2 million or $0.17 per share ($0.17 diluted) the previous year (excluding 2004 non-recurring costs);
- **Revenues** of $155.6 million, up 5.9%;
- **Solid performance** by the Process Group and major turnaround in the Pulp and Paper Group's results.

Key Achievements in 2004-2005

Process Group (Dorr-Oliver Eimco):

- Sales of $293.6 million and normalized EBIT of $28.1 million *(note: prior to 2004-2005, its results were combined with the Water Treatment Group's);*
- Strong international growth in the buoyant ore processing equipment market, especially in emerging markets;
- Increased presence in other high-potential niche markets, including environmental technologies for the energy sector.

Pulp and Paper Group:

- Sales of $213.3 million and normalized EBIT of $10.9 million ($8.7 million improvement over 2004);
- Significant sales volume in the North American aftermarket and several large-scale contracts awarded overseas;
- Achievement of expected synergies of approximately $6 million from restructuring program;
- May 27, 2005: Acquisition of certain assets of Perplas Limited ("Perplas"), a British supplier of equipment and spare parts.

Water Treatment Group:

- Became a reportable segment in 2004-2005;
- Sales of $74.8 million and normalized EBIT of $3.8 million;
- Performance adversely affected by postponed orders and lower profit margins in the U.S. municipal water treatment market, due to soaring steel prices;
- April 1, 2005: Acquisition of the municipal and industrial effluent treatment assets of the British company Jones and Attwood Limited and its U.S. subsidiary.

Manufacturing Group:

- Financial performance weakened by market conditions, although positive contribution to consolidated profitability;
- Support to Pulp and Paper Group's successful restructuring.

FINANCIAL HIGHLIGHTS

Fiscal years ended March 31,	**2005**	2004	2003	2002	2001
Operating Results (in thousands of $)					
Revenues	**556,214**	547,837	382,589	352,628	407,465
EBITDA (1)(2)	**29,823**	31,059	23,955	26,798	34,639
Normalized EBITDA (1)(2)	**37,096**	36,413	29,632	32,821	34,084
EBIT (1)(2)	**21,542**	22,321	15,694	19,841	27,459
Normalized EBIT (1)(2)	**28,815**	27,675	21,371	25,864	26,904
Net earnings	**14,599**	11,584	8,255	12,920	15,243
Net earnings excluding non-recurring costs (2)	**21,093**	15,776	12,748	17,267	15,596
Return on average equity	**11.9%**	9.9%	8.5%	17.3%	25.0%
Return excluding non-recurring costs (2)	**17.2%**	13.5%	13.2%	23.1%	25.6%
Cash flows generated by operations	**21,883**	21,776	17,045	19,306	19,297
Financial Position (in thousands of $)					
Total assets	**326,128**	327,689	331,518	220,505	231,210
Long-term debt (3)	**47,427**	60,995	89,898	56,378	58,636
Shareholders' equity	**127,044**	118,745	114,420	79,180	70,315
Available cash	**35,683**	31,921	37,846	25,255	15,903
Total net debt	**11,744**	29,074	52,052	31,123	42,733
• as a % of total invested capital	**8.5%**	19.7%	31.3%	28.2%	37.8%
Per Share Data (in $) (4)					
Net earnings					
• basic	**0.61**	0.49	0.40	0.69	0.80
• diluted	**0.59**	0.47	0.38	0.67	0.79
Net earnings excluding non-recurring costs (2)					
• basic	**0.88**	0.66	0.61	0.92	0.80
• diluted	**0.86**	0.64	0.59	0.90	0.79
Book value	**5.30**	4.94	4.80	4.22	3.66

(1) EBITDA is earnings before depreciation, amortization, financial expenses and income taxes. EBIT is earnings before financial expenses and income taxes. Normalized EBITDA and normalized EBIT are EBITDA and EBIT before non-recurring costs and gains or losses on disposal and write-off of fixed assets, investments, commercial activities and other assets (excluding write-off of deferred financing expenses for 2003). EBITDA, normalized EBITDA, EBIT and normalized EBIT performance measures used by the Company are not measures of results that are consistent with generally accepted accounting principles. They are not intended to be regarded as an alternative to other financial accounting performance measures or to the statement of cash flows as a measure of liquidity. They are not intended to represent funds available for debt service, dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for performance measures prepared in accordance with generally accepted accounting principles. These measures are used by the Company because management believes they are meaningful measures of performance and are commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Company is engaged. The Company's definition of these measures may not be the same as similarly titled measures reported by other companies.

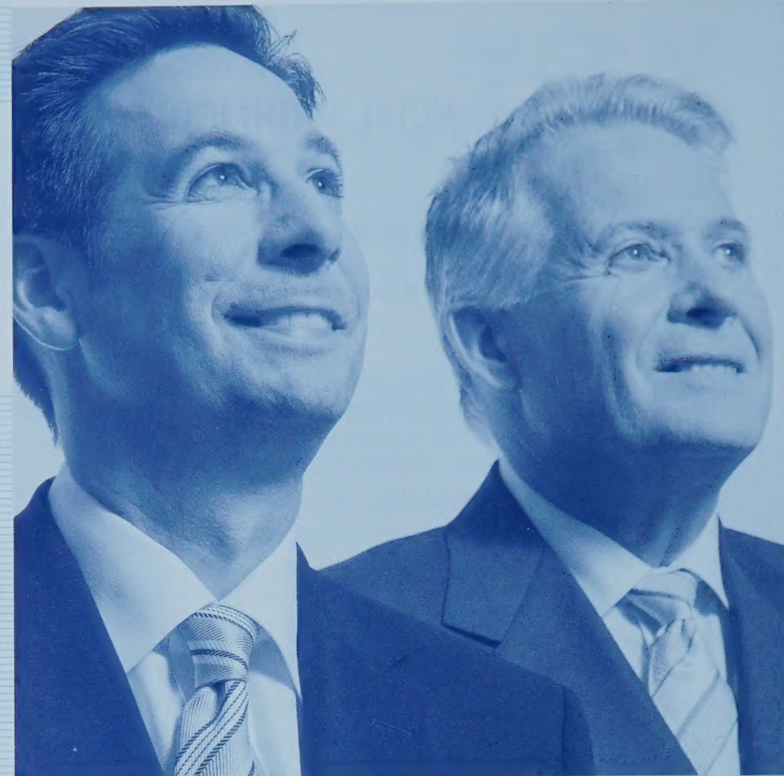
(2) For fiscal years 2001 and 2002, the figures related to EBITDA and normalized EBITDA, EBIT and normalized EBIT, as well as items before non-recurring costs, namely net earnings (total and per share), the net margin and return on average shareholders' equity, also exclude amortization of goodwill.

(3) Including current portion

(4) All share data for fiscal year 2005 and prior years reflect the two-for-one split, as of March 24, 2005, of all the Class A Subordinate Voting shares and Class B Multiple Voting shares.

Richard Verreault,
Executive Vice-President
and Chief Operating Officer

Laurent Verreault,
Chairman of the Board,
President and Chief Executive Officer



MESSAGE TO SHAREHOLDERS

Fiscal 2004-2005 was one of the most constructive year in GL&V's history, giving rise to the Process Group's remarkable development around the world, the Pulp and Paper Group's restructuring and the beginning of an expansion strategy for the Water Treatment Group. Moreover, we closed the fiscal year with a record order backlog of $284 million, up 39% over 2003-2004. Today, as the outlook is favourable in our major markets, all strategic levers we have chosen to master in recent years – international expansion, market diversification, added value, cost optimization, financial health – are converging to provide GL&V with the potential to achieve new records of growth and value creation.

The year ended March 31, 2005 also marked one of GL&V's strongest financial and stock market performances ever.

Excluding non-recurring restructuring costs, we achieved record net earnings of $21.1 million or $0.86 diluted per share, up nearly 34% over the previous year. This performance is mainly attributable to the successful restructuring of the Pulp and Paper Group and the sustained development of the Process Group. GL&V generated operating cash flows of $21.9 million. This contributed to further reducing the total net debt by nearly 60%; it stood at $11.7 million at yearend, representing barely 8.5% of invested capital. Lastly, the price of GL&V's Class A share gained 50% to close the year at $13.50.

Eight Canadian brokerage firms now follow the Company, whose stock price has grown nearly 400% over the last five years. On March 24, 2005, we proceeded to a two-for-one split of all Class A and B shares, notably to increase their liquidity and facilitate trading.

THE PROCESS GROUP: POSITIONED FOR SEVERAL YEARS OF GROWTH

Buoyed by the effervescent mining industry, the Process Group has had and continues to have remarkable success in the metal and ore processing market, in which it is one of the top equipment suppliers worldwide.

With the help of the Technology Support Group recently formed to foster GL&V's international development, the Process Group has successfully capitalized on its global network, the reputation of its trademarks, its substantial installed base of equipment in operation around the world and the scope of its Dorr-Oliver®, Eimco® and Wemco® product lines, which enable it to offer cu ade solutions for the processing of practically all precious and base metals. As a result, it obtained many large-scale contracts for iron, copper, silver, zinc, lead and other metal ore production infrastructure around the world, particularly in emerging markets in Asia, South America and Eastern Europe.

The Process Group also took advantage of the potential in other market niches, such as equipment for the treatment and disposal of atmospheric emissions from electrical power plants. Thanks to its recognized technologies and expertise in this field, it was awarded several contracts in the United States where environmental legislation is increasingly strict. Its expertise in this field also opens attractive prospects in certain emerging countries like China, which are in the process of building new energy infrastructures incorporating advanced environmental technologies. In addition, the Process Group has established a global leadership position in process equipment for alumina and crude oil refineries as well as in recausticizing and effluent treatment technologies used by the pulp and paper industry.

We wish to acknowledge the tremendous work accomplished by the entire Process Group team, paving the way for several years of profitable growth. Throughout the year, the Process Group has achieved record booking volumes, with the result that it ended fiscal 2005 with a much larger order backlog than the previous year. According to our experienced managers, the mining market has not experienced such activity levels in 25 years.

This view is shared by industry analysts who believe that the fundamentals of the mining market, despite possible fluctuations, should remain favourable thanks to sustained growth in demand from emerging markets such as Brazil, Russia, India and China. To meet the demand, these countries will make substantial investments in their production infrastructures over the next two to three years. However, unlike past cycles, analysts expect demand to be so strong that it will continue to exceed supply in spite of the forecast increase in capacity, which should translate into relatively firm prices for most metals in the medium term. That is excellent news for our Process Group, given its solid presence, good reputation, substantial installed base of equipment in these regions, and its technologies meeting all types of mining operations.

In 2005-2006 and subsequent years, the main objectives of the Process Group will be to maximize its positioning in the mining industry while accelerating its development in other high-potential niches, including the energy sector and the chemical and food industries. Its primary challenge will be to efficiently manage its growth, in order to maintain and increase its profit margins.

To that end, the Process Group is currently planning to display, in the short term, new initiatives that will optimize its operations and its international sales, engineering and sub-contracting networks – in particular by enhancing its project management and further integrating the activities acquired from Dorr-Oliver and Eimco – which should yield additional synergies.

THE PULP AND PAPER GROUP: SUCCESSFUL RESTRUCTURING AND INTERNATIONAL DEVELOPMENT

After experiencing some difficult years, our Pulp and Paper Group delivered a very satisfactory performance in the last fiscal year, improving its normalized earnings before financial expenses and income taxes by \$8.7 million. Notwithstanding non-recurring costs associated with its restructuring, the improvement in this group's profitability was one of the main contributors to the growth in GL&V's earnings for 2004-2005.

Three factors are responsible for this turnaround. First, the business environment for North American pulp and paper producers improved significantly in light of firmer prices for pulp and most grades of paper since the summer of 2003. This led to a resurgence in demand for replacement parts and services relating to equipment improvement: our Pulp and Paper Group's core market in North America. Second, the Group implemented a more structured international development strategy, focusing on certain emerging markets toward which pulp and paper production is gradually shifting. This strategy produced results, as shown by the numerous international contracts obtained in recent months. Lastly and above all, the Pulp and Paper Group's improved results are attributable to the success of the restructuring program initiated during the previous year and completed in September 2004, which consisted mainly in reducing manufacturing activities, rationalizing business centres and selling non-strategic assets.

The restructuring generated savings of approximately \$6 million on an annual basis, fully justifying, in terms of return for shareholders, the non-recurring costs of \$11.6 million it entailed over the last two years. We are fully aware of the considerable challenges and constraints this extensive operation imposed on the employees of the Pulp and Paper Group. We take this opportunity to thank them for having made it a success, with the support of their colleagues from the Manufacturing Group who took over part of the manufacturing activities.

Its more international and further focused approach, combined to its improved cost structure, point to a good performance in 2005-2006 for the Pulp and Paper Group, which began the new fiscal year with an order backlog significantly higher than its year-ago level.

However, we remain cautious about the longer-term outlook for this market that is in transition throughout the world. While analysts are forecasting that conditions will remain positive for the pulp and paper industry for a few quarters ahead, the addition of new production capacity around the middle of 2005 could again create downward pressures on prices. Meanwhile, the consumption and production of pulp and paper continue to shift to emerging countries.

In this context, the Pulp and Paper Group will remain focused on four major objectives: (1) concentrate on the spare parts market and value-added modernization services in North America and Europe, where pulp and paper manufacturers tend to upgrade their existing equipment for the production of specialty products; (2) enhance its presence in emerging markets; (3) increase its profit margins by constantly adjusting its cost structure to the reality of its markets; and (4) develop or acquire new products to adapt its offering to the needs of the market. The Pulp and Paper Group is well positioned to efficiently meet these challenges, given its qualified personnel, proven technologies, recognized trademarks, extensive installed base of equipment and growing international presence.

During the first quarter of fiscal 2006, consistent with its international development goals, the Pulp and Paper Group acquired certain assets of a British company specializing in the manufacture of equipment and spare parts targeted mostly to the pulp and paper and packaging industries. From the start, the acquisition will contribute annual revenues of approximately $8.5 million, 80% of which in Europe, and the balance in North and South America, the Asia-Pacific region and Africa.

In addition to strengthening the Pulp and Paper Group's position in Europe and expanding its product selection, this acquisition holds promising growth potential, as these new products will be marketed through GL&V's international network.

THE WATER TREATMENT GROUP: A NEW GROWTH PLATFORM IN EUROPE

Our Water Treatment Group, set up in January 2004, faced unforeseen and disappointing market conditions last year in the United States, currently its largest market. Two factors impeded the expected investments to modernize municipal water treatment infrastructures, namely the allocation of a significant share of government budgets to national defence and the surging price of steel. Since these infrastructures make extensive use of reinforcing steel, the high price of this material not only led municipalities to postpone many projects, but also exerted substantial pressure on the Water Treatment Group's profit margins. This group nonetheless made a positive contribution to GL&V's profits, and we expect its market conditions and results to gradually improve in 2005-2006.

When we formed the Water Treatment Group, our objective was to build its international presence, mainly through acquisitions. In the last fiscal year, in addition to deploying resources in South Africa and Australia, we undertook to provide the Group with a growth platform in Europe.

On April 1, 2005, at the very beginning of the new fiscal year, we took an initial step in this direction with the acquisition of certain assets of the British company Jones & Attwood Limited and of its American subsidiary, relating to the design, manufacturing and marketing of municipal and industrial effluent treatment equipment. Although they currently generate modest sales, we will have the opportunity to rapidly develop these operations by integrating them into our existing infrastructures in Europe and the United States. In addition, while using our international network to increase the sales of Jones & Attwood products, we will also be able to capitalize on an expanded European representation force to market the other technologies of GL&V's Water Treatment Group in that part of the world.

With the support of all the employees of this group, we are determined to develop our critical mass and leadership in the water treatment market, which offers phenomenal potential for the years ahead throughout the world. To establish ourselves at the global level, we will seek to integrate technologies that complement ours by means of acquisitions and strategic alliances, while marketing our existing line of technologies within expanded geographic markets.

2005-2006 OUTLOOK AND OBJECTIVES

Fiscal 2005-2006, which will mark GL&V's 30th anniversary, looks very promising since, in addition to the Process Group's exceptionally buoyant markets, GL&V will benefit from the improved profitability of the Pulp and Paper Group as well as the recent development and a gradual improvement in market conditions for the Water Treatment Group. As at March 31, 2005, GL&V's order backlog amounted to $284 million, up 39% over the same date in 2004, and we have maintained strong levels of bookings since the beginning of the new fiscal year.

As we enter a new growth phase for GL&V, we reaffirm our determination to consolidate our position as a global leader in liquid/solid separation technologies, with the goal of reaching sales of $1 billion in the near future. We will achieve this objective by focusing on the same four major strategic goals:

- **International development** – During the last fiscal year, we began to expand our teams in two key regions, China and India, to develop business opportunities in the mining, pulp and paper, and water treatment markets, as well as our sub-contracting networks.

- **The supply of value-added solutions** – We will continue to concentrate on proven technologies to minimize our business risk. In particular, we will fully capitalize on our base of installed equipment – the largest in the world in the pulp and paper and mine processing market – to increase our aftermarket sales, and we will continue to act as true partners in our customers' performance. This means the ongoing development, in association with our customers, of economical solutions that will enable them to increase the productivity and quality of their operations. In light of the favourable conditions currently prevailing in our markets, we feel that many of our clients are willing to intensify this type of product development partnership with GL&V.

- **An optimal cost structure** – This crucial component of our business model consists in a constant and strict control over our operating expenses, a flexible operational structure that can be adjusted easily to market fluctuations, and the development of our sub-contracting networks.

- **The pursuit of our role as an efficient consolidator and business integrator** – One of our key objectives in this regard is to reach a better balance of our revenue sources, in terms of both segmented and geographic markets. However, we will not stray from our basic criteria of acquiring business that offer potential for a fast return on investment, as well as proven know-how and technologies that will complement ours, recognized trademarks and a substantial base of installed equipment.

MASTER THE PRESENT, SHAPE THE FUTURE

Looking at the current trends in the world economy in general and our markets in particular, we are pleased with the strategic decisions we have made in recent years, namely our international and segmented diversification through acquisitions, the reduction of our manufacturing operations in favour of know-how and higher value-added activities and, more recently, the restructuring of our Pulp and Paper Group.

Coupled with the Company's excellent financial health, such achievements position GL&V strongly today to participate in the boom in emerging markets while minimizing its costs and risks, and to develop further growth avenues with the ultimate goal of maximizing shareholder value.

GL&V's success will continue to depend on its proven ability to seize existing opportunities and to create new ones. To understand its markets, accurately forecast the future, lead the way. More than anything else, we will maintain this ability by remaining an entrepreneurial, creative and flexible organization that listens to its customers.

From this perspective, we are proud to state that GL&V has developed a solid succession for the future. At both the operating and corporate levels, our officers have formed skilled and dynamic teams that subscribe to the Company's culture and objectives and work in the interests of shareholders. We want to thank all of GL&V's employees for their invaluable contribution, and we invite them to continue to participate with the same energy in the Company's future growth.

Over the years, GL&V has also developed management and control processes worthy of a world-class company, including at the corporate governance level. During the last fiscal year, we increased the number of independent directors on GL&V's Board of Directors, with the addition of Denyse Chicoyne and Michel Baril. We take this opportunity to welcome them and to thank Jean Desbiens, one of GL&V's three founders, who left the Board in 2004, for his long contribution to the Company's success. We also sincerely thank the other members of our Board of Directors as well as our shareholders and our business partners.

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer

Richard Verreault
Executive Vice-President
and Chief Operating Officer

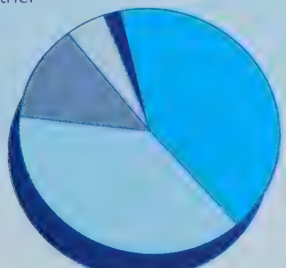
June 2, 2005

GLOBAL POSITIONING

BREAKDOWN OF REVENUES BY MARKET

(Fiscal year ended March 31, 2005)

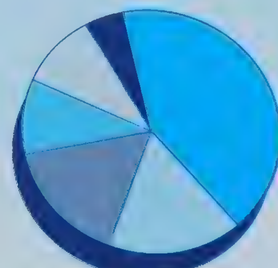
Pulp and Paper	42%
Metal and Ore Processing, Chemicals, Pharmaceuticals and Food	38%
Treatment of Drinking Water and Wastewater	13%
Energy	5%
Other	2%



BREAKDOWN OF REVENUES BY REGION

(Fiscal year ended March 31, 2005)

United States	42%
Europe	17%
Asia Pacific and Middle-East	16%
Canada	10%
Latin America	10%
Africa	5%



MANAGEMENT'S REPORT

on Operating Results and Financial Position

(Fiscal Year Ended March 31, 2005)

DESCRIPTION OF BUSINESS

Founded in 1975, Groupe Laperrière & Verreault Inc. ("GL&V" or "the Company") is a world leader in liquid/solid separation technologies used in a large number of industrial, municipal and environmental processes. The Company has more than 1,400 employees and is present in 40 countries on six continents. GL&V is a public company whose Class A Subordinate Voting shares and Class B Multiple Voting shares trade on the Toronto Stock Exchange under the ticker symbols GLV.SV.A and GLV.MV.B.

Within the meaning of the Canadian Institute of Chartered Accountants ("CICA") Handbook, the Company's operations are divided into four reportable segments:

- The **Process Group (Dorr-Oliver Eimco)** is one of the world's leading suppliers of process equipment intended for metal and ore processing, as well as industrial and environmental processes used in various other sectors such as pulp and paper, energy, chemicals, petrochemicals and food.

- The **Pulp and Paper Group** is a significant global supplier of equipment used in various stages of pulp and paper production.

- The **Water Treatment Group** specializes in the development and worldwide marketing of process equipment used in the treatment of drinking water, industrial process water and municipal and industrial wastewater.

- The **Manufacturing Group** specializes in the production of large custom-made parts for external customers involved mainly in the pulp and paper and energy sectors, as well as for GL&V's other groups.

During the last fiscal year, these four segments respectively accounted for 48.7%, 35.3%, 12.4% and 3.6% of GL&V's consolidated revenues (before inter-segment eliminations and other).

Through its various groups, GL&V holds proprietary rights to a large number of recognized technologies and trademarks, several of which rank among the world market leaders for the size of their installed equipment base. That advantage has enabled the Company to develop a significant aftermarket business: a value-added activity generating recurring revenues.

With the exception of the Manufacturing Group, GL&V's products are manufactured primarily by an international network of subcontractor partners, providing the Company with a competitive cost structure that can easily be adapted to market fluctuations.

The primary markets served by GL&V, especially the pulp and paper and mining industries, are exposed to cyclical fluctuations and largely depend on the health of the world economy. Within the last decade, GL&V's major sectors have also undergone a consolidation movement in which the Company has played an active role by achieving a dozen acquisitions, thereby reducing the impact on its financial results of cyclical downturns in some of its markets.

FOREWORD TO MANAGEMENT REPORT

Basis of Presentation

This Management's Report presents an analysis of GL&V's operating results for the fiscal year and fourth quarter ended March 31, 2005, compared with operating results for the corresponding periods ended March 31, 2004, and of its cash flows and changes in financial position between those dates. Management's Report should be read in conjunction with the audited consolidated financial statements and accompanying notes for the fiscal year ended March 31, 2005. Supplementary information about the Company, including the Annual Information Form and the Interim Reports for the fiscal year ended March 31, 2005, is available on SEDAR's website (www.sedar.com) and GL&V's website (www.glv.com).

In this Management's Report, the financial years ended March 31, 2005, 2004 and 2003 are designated by the terms "fiscal 2005", "fiscal 2004" and "fiscal 2003". In this Management's Report, GL&V or the Company designates, as the case may be, Groupe Laperrière & Verreault Inc. and its subsidiaries and divisions, or Groupe Laperrière & Verreault Inc. or one of its subsidiaries or divisions.

The information contained in this Management's Report accounts for any major events occurring prior to June 2, 2005, on which date the Board of Directors approved the financial statements and Management's Report for the fiscal year ended March 31, 2005. It presents the Company's status and business context as they were, to management's best knowledge, at the time these lines were written.

Unless otherwise indicated, the financial information presented in this report, including tabular amounts, is expressed in Canadian dollars. The Canadian dollar is also the Company's measurement currency.

Compliance with Canadian Generally Accepted Accounting Principles

Unless otherwise indicated, the financial information presented in this report, including tabular amounts, is prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The information contained in this report also includes some figures that are not performance measures consistent with GAAP. For instance, GL&V uses "EBITDA" (earnings before depreciation, amortization, financial expenses and income taxes), "normalized EBITDA" (EBITDA before non-recurring costs and gains or losses on disposal), "EBIT" (earnings before financial expenses and income taxes) and "normalized EBIT" (EBIT before non-recurring costs and gains or losses on disposal), because such measures allow management to assess the operational and financial performance of the Company's various business segments. These measures are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Company is engaged.

However, they are not intended to be regarded as alternatives to other financial accounting performance measures or to the statement of cash flows as a measure of liquidity. They are not intended to represent funds available for debt service, dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP. The Company's definition of these measures may not be similarly titled measures reported by other companies. Certain additional details about measures not consistent with GAAP are presented in the section entitled "*Supplementary Information Regarding NON GAAP Measures*" of this Management's Report.

Forward-looking Statements

Management's Report is design to assist investors in understanding the nature and the importance of the changes and trends, as well as the risks and uncertainties associated with GL&V's operating results and financial position. The statements set forth in this Management's Report that describe GL&V's objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of securities legislation. Positive or negative verbs such as "plan", "evaluate", "estimate" and "believe" as well as other related expressions are used to identify such forward-looking statements.

GL&V's management would like to point out that, by their very nature, forward-looking statements involve a number of risks and uncertainties such that the Company's actual and future results could differ materially from those indicated. There can be no assurance as to the materialization of the results, performance or achievements as expressed in or underlying the forward-looking statements. GL&V's management assumes no obligation as to the updating or revision of the forward-looking statements as a result of new information, future events or other changes. *(Additional information regarding the risk factors to which the Company is exposed is provided in the "Risks and Uncertainties" section of this Management's Report).*

ACCOUNTING POLICIES ADOPTED OVER THE LAST TWO FISCAL YEARS

Fiscal 2004

Disposal of Long-lived Assets and Discontinued Operations:

In December 2002, the CICA's Accounting Standards Board ("AcSB") revised Handbook Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*. The revised Section 3475 is applicable to disposal activities initiated by an enterprise's commitment to a plan on or after May 1, 2003. Under this Section, new standards are established for the recognition, measurement, presentation and disclosure of the disposal of long-lived assets. New standards are also established for the presentation and disclosure of discontinued operations. It applies to the disposal of non-monetary long-lived assets, including property, plant and equipment, intangible assets with definite useful lives and long-term prepaid assets. It requires an asset or group that will be disposed of other than by sale to continue to be classified as "held-and-used" until the disposal transaction occurs. Long-lived assets that meet the criteria to be considered as held-for-sale cease to be amortized. The Section also provides specific guidance on balance sheet and income statement presentation for a disposal group that is a component of an entity. The effect of adopting the new recommendations did not have a significant impact on the consolidated balance sheet and consolidated statement of earnings and retained earnings and cash flows as at March 31, 2004 and for the year then ended.

Termination Benefits and Costs Associated with Exit and Disposal Activities:

In March 2003, the Emerging Issues Committee released Abstracts No.134, *Accounting for Severance and Termination Benefits* ("EIC-134"), and EIC-135, *Accounting for Costs Associated with Exit and Disposal Activities (Including Costs Incurred in a Restructuring)* ("EIC-135"). EIC-134 provides interpretive guidance to the accounting requirements for the various types of severance and termination benefits covered in CICA Handbook Section 3461, *Employee Future Benefits.* EIC-135 provides interpretive guidance for the timing of the recognition of a liability for costs associated with an exit or disposal activity. The new guidance requires that the liability be recognized for those costs only when the liability is incurred, that is, when it meets the definition of a liability in CICA Handbook Section 1000, *Financial Statement Concepts.* These new EICs also establish fair value as the objective for initial measurement of liabilities related to exit or disposal activities. The Company adopted the new recommendations effective April 1, 2003.

Guarantees:

On April 1, 2003, the Company also adopted the new Guideline (AcG-14) published by the CICA regarding the disclosure of guarantees. A guarantee is a contract or an indemnification agreement that contingently requires the Company to make payments to the other party of the contract or agreement, based on changes in an underlying that is related to an asset, a liability or an equity security of the other party or on a third party failure to perform under an obligating agreement. It could also be an indirect guarantee of the indebtedness of another party, even though the payment to the other party may not be based on changes in an underlying that is related to an asset, a liability or an equity security of the other party. The Company has no significant guarantees that meet the above criteria.

Stock-based Compensation:

Effective April 1, 2003, the Company changed its method of accounting for stock-based compensation and decided to adopt the fair value based method of accounting for all its stock-based compensation. The Company adopted these changes using the prospective application transitional alternative. Accordingly, the fair value based method is applied to awards granted, modified or settled on or after April 1, 2003.

Prior to the adoption of the fair value based method, the Company, as permitted by Section 3870, had chosen to continue its then existing policy of recording no compensation cost on the grant of stock options to employees. No compensation cost was charged against income for those plans for the year ended March 31, 2004, as the Company did not grant any awards during the year.

Impairment of Long-lived Assets:

In April 2003, the CICA issued Section 3063, *Impairment of Long-Lived Assets,* which establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets held for use. Accounting for the potential impairment of long-lived assets held for use is a two-step process with the first step determining when impairment should be recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying value of an asset held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value. In accordance with the CICA guideline, the Company adopted these recommendations as of April 1, 2003, which did not have a significant impact on the consolidated financial statements at the initial adoption date.

Fiscal 2005

Asset Retirement Obligations:

In March 2003, the CICA issued Section 3110, *Asset Retirement Obligations*, which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal use of the assets. The standard requires an entity to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and when a reasonable estimate of fair value can be made. The standard defines fair value as the amount at which the liability could be settled in a current transaction between willing parties, other than in a forced or liquidation transaction. An entity is subsequently required to allocate the asset retirement cost and amortize it over its useful life. The Company adopted these new recommendations as of April 1, 2004 and their adoption did not have a significant impact on the consolidated financial statements at the initial adoption date.

Hedging Relationships:

In June 2003, the CICA issued amendments to Accounting Guideline No. 13 ("AcG-13"), *Hedging Relationships*. These amendments clarify a certain number of the requirements in addition to providing additional implementation guidance relating to the identification, designation and documentation of the hedging relationships and an assessment of their effectiveness. The requirements of the guideline are applicable to all hedging relationships in effect for fiscal years beginning on or after July 1, 2003. Retroactive application is not permitted. All hedging relationships must be assessed as of the beginning of the first year of application to determine whether the hedging criteria in the guideline are met. Hedge accounting is to be discontinued for any hedging relationships that do not meet the requirements of the guideline.

Given the operations of the Company, the effectiveness criteria described in AcG-13 are difficult to meet, if at all due to the financial instruments utilized by the Company to mitigate its foreign exchange fluctuation exposures. As a result, the Company elected not to designate any of the current foreign exchange risk management activities as accounting hedges under AcG-13. Consequently, the financial instruments thereto are accounted for using the mark-to-market method.

The Company's policy is still to use financial instruments, such as forward exchange contracts for hedging purposes and not for speculative purposes. The Company believes that such financial instruments are efficient tools in reducing its exposure to fluctuations in foreign exchange rates, even if the AcG-13 effectiveness criteria are not met.

Hedging relationships in regard to variations of foreign exchange rates existing as of March 31, 2004 did not meet AcG-13 criteria and as such, have been accounted for using the mark-to-market method as of April 1, 2004. This has resulted in an increase of $527,000 in other assets with a corresponding amount as a deferred gain in liabilities. This unrealized gain has been recognized in earnings in the first quarter.

Generally Accepted Accounting Principles and General Standards of Financial Presentation:

In July 2003, the CICA issued Section 110, *Generally Accepted Accounting Principles*, and Section 1400, *General Standards of Financial Statement Presentation*. These sections establish standards for financial reporting and fair presentation in accordance with GAAP and provide guidance on sources to consult when a matter is not dealt with explicitly in the primary sources of GAAP. The Company adopted these new recommendations as of April 1, 2004. The effect of adopting these new recommendations had no impact on the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian GAAP requires the Company to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. The Ontario Securities Commission defines critical accounting estimates as those requiring assumptions made about matters that are highly uncertain at the time the estimate is made, and when the use of different reasonable estimates or changes to the accounting estimates would have a material impact on a Company's financial condition or operating results. Based on this definition, the Company has identified the following critical accounting estimates:

Revenue Recognition

The Company recognizes revenues when the production process is completed or when services are performed, or else according to the pro rata billing value of the work completed. When progress must be measured, the method used always reflects the realized output. Progress is determined on the basis of the costs incurred over the total costs expected based on the Company's estimates. The underlying work in progress is valued at the pro rata billing value of the work completed, based on the billable value. Usually, the time lag is less than one year between revenue recognition and the final billing.

Goodwill

Goodwill is not amortized but tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment. The Company compares the reporting unit's carrying value to its market value determined through a discounted cash flow analysis. In preparing discounted cash flows, the Company uses its judgment in estimating future profitability, growth, capital spending and discount rate. Management uses its judgment to estimate the market value of the reporting units and changes to those estimates could modify the goodwill value presented. If the carrying value of the reporting unit exceeds the market value, the Company would then evaluate the impairment loss by comparing the fair value of the goodwill to its carrying amount. An additional examination is performed to confirm the reasonableness of the market values of the operating used by an analysis of similar public companies available on the market. This analysis considers: (1) known multiples of similar public company markets, to which a takeover and acquisition premium is applied; and (2) known multiples of recent acquisitions in the industry. If the carrying value of the reporting unit exceeds the market value, the Company would then evaluate the impairment loss by comparing the fair value of the goodwill to its carrying amount. Based on the last impairment tests performed, the Company concluded that no impairment existed. In the event that actual outcome differs from management's estimates, an impairment could be necessary.

Impairment of Long-lived Assets

The Company tests the recoverability of long-lived assets, including property, plant and equipment and other long-term assets, when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Examples of such events and changes include: the decommissioning of an asset, assets rendered idle after plant shutdown, costs that significantly exceed the amount initially estimated for the acquisition or construction of an asset, and continuous operating losses or negative cash flows resulting from the use of an asset and adverse economic changes affecting a group of assets and causing continuing underperformance. An impairment is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. A long-lived asset, or group of assets is considered unrecoverable when its carrying value exceeds the estimated undiscounted future cash flows directly associated with it. The Company estimates future cash flows based on historical and budgeted performance as well as assumptions on future economic environment, pricing and volume. Management's judgments regarding the existence of impairment indicators are based on market conditions and operating performances. Future events could cause management to conclude that impairment indicators exist and that the carrying values of some long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and operating results.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for expected losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience. In addition, the Company has a credit insurance policy covering most of its major customers. The policy contains the usual clauses and limits the amounts that can be claimed by event and year of coverage. The Company believes that its allowance for doubtful accounts is sufficient to face the risks inherent in outstanding receivables. However, an additional expense could be recognized in the event that results were to be different from the assumptions and estimates used by Company.

Allowance for Excess Inventories or Inventory Obsolescence

Inventories are valued at the lower of cost, net realizable value and replacement value. The cost of finished products is calculated on the basis of average cost. The Company records an allowance for estimated obsolescence calculated on the basis of assumptions about the future demand for its products and conditions prevailing in the markets where its products are sold. This allowance, which reduces inventories to their net realizable value, is then entered as a reduction of inventories in the consolidated balance sheet. Management must make estimates and judgments when establishing such allowances. If actual market conditions are less favourable than the Company's assumptions, additional allowances could prove necessary.

Warranties

Products and equipment sold are accompanied by performance and functional warranties. Warranty cost is recorded when revenue for the underlying product or equipment is recognized. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the nature of products and equipment sold and duration of warranty coverage. The Company reviews quarterly its recorded product warranty provisions and any adjustment is recognized to income. Warranty expense is recorded as a component of cost of contracts and goods sold.

Income Taxes

The Company uses its best judgment in determining its effective tax rate. There are many factors in the normal course of business that affect the effective tax rate, since the ultimate tax outcome of some transactions and calculations is uncertain until assessment notices are received from tax authorities.

Future tax assets are recognized and an allowance for a corresponding amount is established if it is unlikely that such assets will be realized. This allowance is based on management's estimates in regard to taxable income in each of the jurisdictions in which the Company operates and the period during which the future tax assets should be recovered.

The Company could be at any time under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years with open tax audits varies depending on the tax jurisdiction.

Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome and its timing are difficult to predict. In addition, the Company has not recognized any future tax liabilities as retained earnings of its subsidiaries for the current fiscal year and prior years, since it does not expect such retained earnings to become taxable in the foreseeable future. In the event that the tax outcome differs from management's estimates, the provision may be adjusted.

It should be noted that any unexpected change in national legislation in force in the countries in which the Company operates or any change to the tax agreements currently made use of by the Company could have an impact on the Company's effective tax rate.

Insurance

The Company is exposed to various operational risks in the normal course of business, some of which are transferred to third parties under insurance policies. The Company has a self-insurance policy when the foreseeable losses from self-insurance are relatively low in comparison with the cost of purchasing insurance from third parties.

The Company maintains insurance coverage for risks associated with civil liability insurance. It has opted to assume a portion of the losses it could sustain in the form of a deductible, so as to lower the costs associated with such protection. The Company manages the retention of the civil liability related risk through its captive insurance company. As at March 31, 2005, the Company's potential liability under the terms of its current self-insurance policy was a maximum of $3 million, subject to deductibles and other factors specific to each claim. The Company believes it has implemented a combination of third-party insurance and self-insurance providing adequate protection against major unexpected losses, while reducing its operating costs and limiting its overall risk.

SELECTED CONSOLIDATED ANNUAL INFORMATION

(in thousands of $, except per-share amounts and number of shares outstanding)

Fiscal Years Ended March 31,	2005	2004	2003
Revenues			
• Process Group [1]	**293,578**	362,101	166,493
• Water Treatment Group [1]	**74,819**	—	—
• Pulp and Paper Group	**213,255**	211,101	233,235
• Manufacturing Group	**21,542**	21,782	28,215
• *Other and eliminations*	***(46,980)***	*(47,147)*	*(45,354)*
Total	**556,214**	547,837	382,589
EBITDA	**29,823**	31,059	23,955
Normalized EBITDA	**37,096**	36,413	29,632
EBIT			
• Process Group [1]	**27,759**	35,598	13,286
• Water Treatment Group [1]	**3,762**	—	—
• Pulp and Paper Group	**3,934**	(1,814)	10,867
• Manufacturing Group	**40**	289	698
• *Other and eliminations*	***(13,953)***	*(11,752)*	*(9,157)*
Total	**21,542**	22,321	15,694
Normalized EBIT			
• Process Group [1]	**28,071**	36,893	16,758
• Water Treatment Group [1]	**3,762**	—	—
• Pulp and Paper Group	**10,882**	2,246	11,153
• Manufacturing Group	**75**	288	698
• *Other and eliminations*	***(13,975)***	*(11,752)*	*(7,238)*
Total	**28,815**	27,675	21,371
Net earnings	**14,599**	11,584	8,255
• basic per share [2]	**0.61**	0.49	0.39
• diluted per share [2]	**0.59**	0.47	0.38
Net earnings before non-recurring costs	**21,093**	15,776	12,748
• basic per share [2]	**0.88**	0.66	0.61
• diluted per share [2]	**0.86**	0.64	0.59
Cash dividends per share	—	—	—
Weighted average number of shares outstanding (in thousands) [2]			
• basic	**23,979**	23,860	21,028
• diluted	**24,607**	24,596	21,728
Balance Sheet Data (as at March 31)			
Total assets	**326,128**	327,689	331,518
Shareholders' equity	**127,044**	118,745	114,420
Long-term financial liabilities [3]	**54,332**	66,966	95,600

(1) Prior to fiscal 2005, the Process Group's and the Water Treatment Group's results were combined within the Process Group.

(2) All data related to per-share amounts and the number of shares reflect the two-for-one stock split effective March 24, 2005.

(3) Consist of long-term debt, including its current portion, and liabilities under pension plans.

HIGHLIGHTS OF THE LAST THREE FISCAL YEARS

Acquisition and Integration of Eimco by the Process Group

On November 8, 2002 (effective November 1, 2002), GL&V completed its largest acquisition ever by purchasing certain assets of Baker Hughes Incorporated's "Eimco" division, based in Salt Lake City, Utah, a world-class supplier of liquid/solid separation technologies operating an international sales and engineering network. The transaction was finalized for a cash consideration of $59.6 million. This acquisition, which considerably modified GL&V's profile, segmented and geographical positioning and revenue mix, accounted for most of the growth in the Company's results over the last three fiscal years.

As a result of this acquisition, the Process Group became GL&V's largest segment, thereby reducing the Company's traditional exposure to the pulp and paper industry. In fact, GL&V became one of the world's top suppliers of technological solutions for the mining industry, while also increasing its presence in the drinking water and wastewater treatment market and certain other sectors such as energy. In addition, the Eimco acquisition consolidated GL&V's international presence, especially in certain emerging markets such as the Asia-Pacific region, the Middle East and Latin America, which enabled the Company to take advantage of the mining industry's worldwide recovery over the past two years (particularly in the Southern Hemisphere), as a result of selling price increases for most basic and precious metals.

Consistent with its strategy with respect to the acquisition of businesses, divisions or subsidiaries of conglomerates, immediately after the Eimco acquisition, GL&V implemented a comprehensive program to integrate these operations as rapidly and efficiently as possible, while maximizing the economic benefits. Combined with certain other optimization initiatives, this program produced non-recurring costs of $3.2 million during fiscal 2003, $0.7 million in 2004 and $0.3 million in 2005. Using the operating cash flows generated by this group and the proceeds from the disposal of non-strategic assets, GL&V was also able to rapidly repay the debt contracted for the Eimco acquisition.

Restructuring of the Pulp and Paper Group

For several years, the worldwide pulp and paper industry has been affected by weak selling prices for pulp and most paper grades, as a result mainly of excess supply over demand. In recent years moreover, pulp and paper production has started to gradually shift toward some regions in the Southern Hemisphere and Asia, which benefit from abundant natural resources and advantageous production costs. Accordingly, pulp and paper manufacturers' investments in North America, the primary market of GL&V's Pulp and Paper Group, declined significantly in recent years and are increasingly focused on upgrading, improving and maintaining existing equipment to maximize its performance and yield, rather than on new capital projects. In such a context, the Pulp and Paper Group has implemented a series of measures to (1) further focus on the North American aftermarket while targeting business opportunities in certain emerging markets on the international scene; and (2) lower its operating costs by divesting, discontinuing and writing off non-strategic operations and assets.

During fiscal 2003, GL&V partially streamlined the Pulp and Paper Group's manufacturing operations in the United States, which entailed non-recurring costs of $1.7 million. In the second half of fiscal 2004, GL&V initiated a major restructuring program extending over a period of approximately 10 months, from November 2003 to September 2004. It consisted mainly in closing, selling and writing off various fixed assets and equipment, outsourcing certain manufacturing operations to enable the Company to further focus on strategic engineering and spare parts activities, and streamlining various business locations in North America and Europe. This restructuring produced non-recurring restructuring costs totaling $11.6 million, $4.2 million of which in 2004 and $7.4 million in 2005, mostly comprised of workforce reduction, closure and other expenses, accelerated amortization of fixed assets, as well as non-cash losses on the disposal and write-off of fixed assets.

However, it yielded recurring annualized savings of approximately $6 million starting in the second half of fiscal 2005, which led to a major improvement in the Pulp and Paper Group's profitability in the last fiscal year. In addition, proceeds from the disposal of assets put up for sale contributed to strengthen the Company's financial position.

Creation of the Water Treatment Group

At the beginning of fiscal 2005, a new reportable business sector within the meaning of the CICA Handbook was formed, the Water Treatment Group, whose operations and results were until then incorporated into the Process Group. This new group is comprised mainly of the North American entity Eimco Water Technologies, LLC, created in January 2004, and also consists of all drinking water and municipal and industrial wastewater treatment activities carried out by GL&V's various international subsidiaries, including the business recently acquired from the British company Jones and Attwood Limited. *(See "Event Subsequent to Year-End" section of this Management's Report.)*

Two-for-one Stock Split

On March 24, 2005, GL&V proceeded to a two-for-one split of all its outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares. All data related to the number of shares and per-share amounts for fiscal 2005 and prior years contained in this Management's Report reflect this share split.

CONSOLIDATED AND SEGMENTED OPERATING RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Revenues

GL&V achieved consolidated revenues of $556.2 million in fiscal 2005, up $8.4 million or 1.5% over $547.8 million the previous year. Exchange rate fluctuations, mostly between the Canadian and U.S. dollars, had a negative impact of $14.8 million on consolidated revenues, without which they would have posted a 4.2% growth. Most of this growth was organic as no major acquisitions were made over the past two fiscal years. The trend in the various groups' revenues was as follows:

- The **Process Group**'s and **Water Treatment Group**'s revenues (formerly combined) stood at $293.6 million and $74.8 million respectively for a total of $368.4 million, up $6.3 million or 1.7% over a total of $362.1 million in 2004. Excluding currency fluctuations, these groups would have posted a combined revenue growth of 3.9% attributable to the **Process Group**, despite the fact that its previous year's results included revenues of approximately $30 million related to a major contract in China. In 2005, the Process Group notably benefited from an especially favourable business environment in the world mining industry while also intensifying its penetration of other sectors such as pulp and paper, chemicals and food. The **Water Treatment Group**'s revenues were comparable to last year, as its growth was adversely affected by difficult conditions in the U.S. municipal water treatment market, its primary market, where the sharp rise in steel prices has led customers to postpone many orders.

- The **Pulp and Paper Group**'s revenues were comparable to the previous year's, i.e. $213.3 million in 2005 compared with $211.1 million in 2004. Notwithstanding the currency fluctuations, this group would have posted revenue growth of 4.3%. Consistent with its strategic objectives, it enhanced its presence in pulp and paper capital projects on international markets, while also achieving a substantial sales volume in the North American aftermarket.

- The **Manufacturing Group**'s revenues were stable at $21.5 million versus $21.8 million the previous year, due to the difficult conditions prevailing in its two major markets – the pulp and paper industry and energy infrastructures – combined with exchange rate fluctuations.

For the Company as a whole, the aftermarket accounted for 41.8% of fiscal 2005 consolidated revenues, compared with 40.8% in 2004. Geographically, GL&V recorded 53% of its sales in North America, 17% in Europe, 16% in the Asia-Pacific region and the Middle East, 10% in Latin America and 4% in Africa.

Gross Margin

In fiscal 2005, GL&V's consolidated gross margin amounted to $133.5 million, or 24.0% of revenues, compared with $133.7 million or 24.4% of revenues the previous year. This slight decline is due to the pressure exerted on the Water Treatment Group's profit margins by intense competition arising from the postponement of several municipal orders and soaring steel prices, combined with the increase in the Canadian dollar in relation to the U.S. dollar.

Operating Expenses and Non-recurring Costs

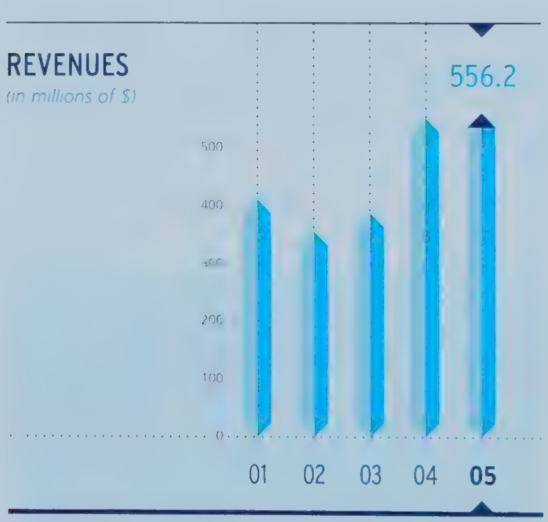
Selling, administrative and research and development expenses totalled $96.0 million, down $1.7 million or 1.8% from $97.7 million in 2004. Operating expenses as a percentage of sales therefore improved from 17.8% to 17.3%. Currency fluctuations had a positive impact of $1.9 million, while the Pulp and Paper Group's restructuring and synergies arising from integrating Eimco into the Process Group contributed to reduce expenses as a percentage of sales.

During fiscal 2005, GL&V incurred non-recurring costs of $7.7 million ($6.0 million of which non-cash), compared with non-recurring costs of $5.0 million the previous year. These were mostly associated with the Pulp and Paper Group's restructuring, which entailed non-recurring costs of $7.4 million in 2005 and $4.2 million in 2004, consisting mainly of workforce reduction expenses, the partial write-off of deferred financing expenses, as well as various facility closure related expenses. In addition, integrating Eimco into the Process Group entailed non-recurring costs of $0.3 million in 2005 and $0.7 million in 2004.

EBITDA, Normalized EBITDA, Depreciation and Amortization

GL&V recorded EBITDA of $29.8 million, compared with $31.1 million the previous year. Excluding non-recurring costs as well as gains and losses on disposal, normalized EBITDA amounted to $37.1 million in 2005, compared with $36.4 million in 2004. The normalized EBITDA profit margin as a percentage of sales therefore stood at 6.7% versus 6.6% the previous year. Savings achieved through the Pulp and Paper Group's restructuring largely compensated for lower profit margins in the U.S. municipal water treatment market due to the aforementioned factors.

Depreciation and amortization, consisting mainly of depreciation of fixed assets, were reduced by $0.5 million to $8.3 million, as a result primarily of the sale and write-off of property assets as part of the Pulp and Paper Group's restructuring, coupled with strict control over new capital expenditures.



EBIT and Normalized EBIT

Consolidated EBIT amounted to $21.5 million, compared with $22.3 million the previous year. Excluding non-recurring costs as well as gains and losses on disposal, normalized EBIT amounted to $28.8 million (for a profit margin of 5.2% as a percentage of sales), compared with $27.7 million in 2004 (5.1% margin).

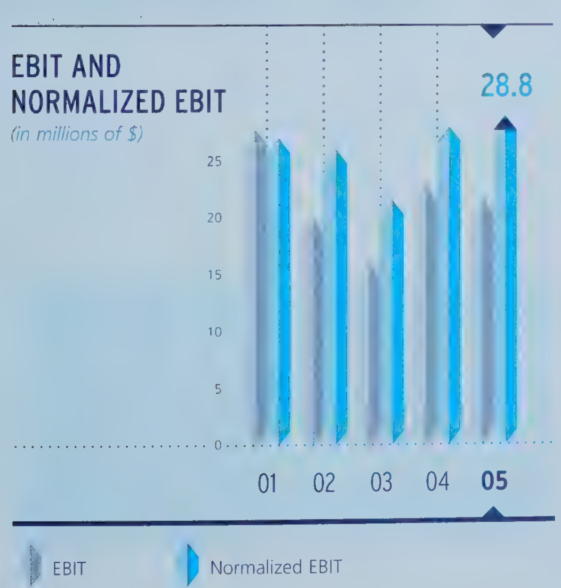
On a segmented basis, the various groups' performance was as follows:

- The **Process Group** and the **Water Treatment Group** generated EBITs of $27.8 million and $3.8 million respectively, for a total of $31.5 million, compared with a combined EBIT of $35.6 million the previous year. Excluding non-recurring costs as well as gains and losses on disposal recorded by the Process Group over the past two years, these groups posted a combined normalized EBIT of $31.8 million (for profit margin of 8.6% as a percentage of sales) in 2005, compared with $36.9 million in 2004 (10.2% margin). This decline can be explained mostly by the strong competition among equipment suppliers in regard to selling prices and the difficult conditions in the U.S. municipal water treatment infrastructures market, where the sharp rise in steel prices has led municipalities to postpone many orders.

- The **Pulp and Paper Group**'s EBIT posted a major turnaround in 2005, reaching $3.9 million, as opposed to negative EBIT of $1.8 million in 2004. Excluding non-recurring items for both years, the Pulp and Paper Group's normalized EBIT improved by $8.7 million, rising from $2.2 million in 2004 (for a normalized profit margin of 1.1% as a percentage of sales), to $10.9 million (5.1% normalized margin) in 2005. Despite the strong competition still prevailing in this market, the Pulp and Paper Group's enhanced profitability is attributable to the combined impact of a solid performance in the aftermarket and a decline in operating, depreciation and amortization expenses as a result of its restructuring.

- The **Manufacturing Group** posted marginal (albeit positive) EBIT, whose variation with the previous year had no material impact on the Company's consolidated EBIT.

- Finally, **corporate expenses** amounted to $14.0 million in 2005, compared with $11.8 million in 2004, due notably to the fourth-quarter recognition of profit-sharing program expenses following the significant increase in the Company's share price.



Financial Expenses and Income Taxes

GL&V incurred financial expenses of $4.3 million, down $4.3 million or 49.7% from $8.6 million the previous year. This favourable variation is attributable to (1) the recording of a $1.1 million exchange gain in 2005 on the management of financial instruments set up to offset its exchange risks, as opposed to a $2.2 million exchange loss in 2004, and (2) a $1.2 million decrease in interest on long-term debt, resulting mainly from a $17.3 million or 59.6% reduction of the total net debt between March 31, 2005 and the same date in 2004.

GL&V thus recorded pre-tax earnings of $17.2 million, up 25.7% over $13.7 million the previous year. Excluding non-recurring costs for the two comparable periods, pre-tax earnings grew by 33.4%, from $18.6 million in 2004 to $24.9 million in 2005.

Net Earnings and Earnings Per Share

The effective tax rate stood at 15.1% in the last fiscal year versus 15.3% the previous year. GL&V therefore closed fiscal 2005 with net earnings of $14.6 million, up 26.0% over $11.6 million in 2004. Earnings per share amounted to $0.61 ($0.59 diluted) on a weighted average of 24.0 million shares outstanding in 2005 (24.6 million on a diluted basis), compared with $0.49 ($0.47 diluted) on 23.9 million shares in 2004 (24.6 million on a diluted basis).

Excluding non-recurring costs (net of related taxes) incurred during the past two years, net earnings grew by 33.7% to a record high of $21.1 million or $0.88 per share ($0.86 diluted) in 2005, up from $15.8 million or $0.66 per share ($0.64 diluted) the previous year.

NET EARNINGS AND EARNINGS PER SHARE

SELECTED FINANCIAL INFORMATION FOR THE PAST EIGHT QUARTERS (UNAUDITED)

(in thousands of $, except per-share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year Ended March 31, 2005				
Revenues	124,199	135,343	141,115	155,557
Non-recurring costs	3,484	4,180	—	—
EBIT	2,922	2,676	7,061	8,883
Normalized EBIT	6,285	6,779	6,808	8,943
Net earnings	1,272	1,344	5,499	6,484
• basic per share	0.05	0.06	0.23	0.27
• diluted per share	0.05	0.05	0.22	0.26
Net earnings excluding non-recurring costs (net of taxes)	4,228	4,882	5,499	6 484
• basic per share	0.18	0.20	0.23	0.27
• diluted per share	0.17	0.20	0.22	0.26
Fiscal Year Ended March 31, 2004				
Revenues	120,878	134,271	145,736	146,952
Non-recurring costs	—	—	1,430	3,524
EBIT	6,450	6,332	6,446	3,093
Normalized EBIT	6,598	6,290	8,004	6,783
Net earnings	2,718	3,760	3,904	1,202
• basic per share	0.11	0.16	0.16	0.05
• diluted per share	0.11	0.15	0.16	0.05
Net earnings excluding non-recurring costs (net of taxes)	2,718	3,760	5,120	4,178
• basic per share	0.11	0.16	0.22	0.17
• diluted per share	0.11	0.15	0.21	0.17

CONSOLIDATED AND SEGMENTED OPERATING RESULTS FOR THE FOURTH QUARTER ENDED MARCH 31, 2005

The fourth quarter of fiscal 2005 gave rise to GL&V's best quarterly performance ever in terms of sales, operating income and net earnings.

Revenues

GL&V posted consolidated revenues of $155.6 million for the three-month period ended March 31, 2005, up 5.9% over $147.0 million in the same quarter the previous year. Notwithstanding the negative impact of approximately $7.4 million of exchange rate fluctuations, quarterly revenues would have grown 10.9%. The trend in the various groups' revenues was as follows:

- The **Process Group** and the **Water Treatment Group** generated revenues of $89.8 million and $19.3 million respectively, for a total of $109.1 million, compared with combined revenues of $100.4 million in the same quarter last year. This 8.7% growth (achieved despite the negative impact of exchange rate fluctuations and the inclusion in the Process Group's 2004 results of sales of some $8 million from a major contract in China) is primarily attributable to the strong world demand for ore processing equipment.

- The **Pulp and Paper Group** recorded comparable revenues to the equivalent period in 2004, i.e. $54.8 million. Notwithstanding currency fluctuations, this group's revenues increased by 5.1%, due to increased business in pulp and paper capital projects on international markets, as well as in the North American aftermarket.

- The **Manufacturing Group**'s revenues rose from $5.8 million to $6.1 million.

For the Company as a whole, the aftermarket accounted for 38.4% of fourth-quarter consolidated revenues, compared with 40.3% for the same period in 2004.

Gross Margin, EBITDA and EBIT

The quarterly consolidated gross margin amounted to $36.7 million, or 23.6% of revenues, compared with $33.6 million or 22.9% of revenues in the same quarter of the previous year. This significant improvement is mainly attributable to the Pulp and Paper Group's restructuring.

GL&V posted quarterly EBITDA of $11.1 million and normalized EBITDA of $11.2 million, up 120.4% and 28.2% respectively over EBITDA of $5.0 million and normalized EBITDA of $8.7 million in the same quarter the previous year. The normalized EBITDA profit margin as a percentage of sales thus amounted to 7.2%, compared with 5.9% last year. Depreciation and amortization increased by $0.3 million or 14.2%, primarily due to the amortization of new product development projects.

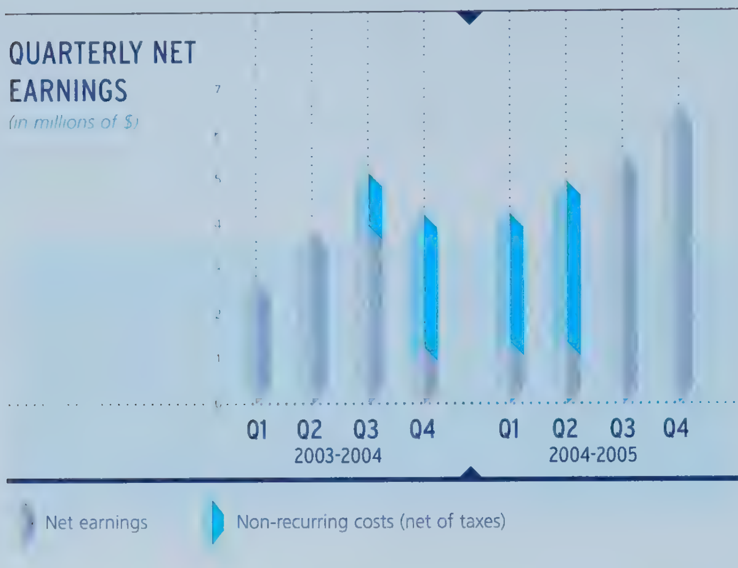
Quarterly consolidated EBIT therefore rose to $8.9 million, up from $3.1 million last year. Excluding non-recurring costs as well as gains and losses on disposal, normalized EBIT amounted to $8.9 million (5.8% profit margin), compared with $6.8 million in the equivalent quarter of 2004 (4.6% margin).

- The **Process Group** and the **Water Treatment Group** recorded EBIT of $7.9 million and $0.7 million respectively, for a total of $8.6 million (profit margin of 7.9% as a percentage of combined sales), compared with a combined normalized EBIT of $9.9 million last year (9.8% of sales).

- The **Pulp and Paper Group**'s EBIT amounted to $5.0 million, as opposed to a negative EBIT of $2.8 million in the same quarter the previous year. Excluding non-recurring costs for the previous year and the various other non-recurring items for the two comparable periods, the Pulp and Paper Group's quarterly normalized EBIT nevertheless showed a solid improvement of $5.1 million, rising from a negative $0.1 million in 2004 to a positive normalized EBIT of $5.0 million in 2005. This group's normalized profit margin thus stood at 9.2% in the fourth quarter of the last fiscal year.

- The **Manufacturing Group**'s results had no impact on the Company's consolidated EBIT.

- **Corporate expenses** amounted to $4.8 million in 2005 versus $3.0 million in 2004, due notably to the recognition of profit-sharing program expenses following the sharp rise in the Company's share price.



Net Earnings and Earnings Per Share

GL&V incurred financial expenses of $1.2 million, compared with $2.3 million the previous year, mainly due to the reduction in the Company's debt and the recognition of an exchange loss the previous year. Income taxes amounted to $1.2 million in 2005 (for an effective tax rate of 15.1%), as opposed to a retroactive recognition of $0.4 million in tax benefit in 2004. GL&V hence closed the fourth quarter of fiscal 2005 with record quarterly net earnings of $6.5 million or $0.27 per share ($0.26 diluted), compared with $1.2 million or $0.05 per share (basic and diluted) in the same quarter the previous year. Excluding non-recurring costs for the last quarter of fiscal 2004, net of related taxes, net earnings posted solid growth of 55.2% over $4.2 million or $0.17 per share ($0.17 diluted) in 2004.

SUPPLEMENTARY INFORMATION REGARDING NON GAAP MEASURES

The following table reconciles normalized measures with the financial statement items:
(in thousands of $, except per-share amounts and number of shares outstanding)

	Three Months Ended March 31,		Fiscal Years Ended March 31,	
	2005	2004	**2005**	2004
EBIT				
Earnings before financial expenses and income taxes (EBIT)	8,883	3,093	21,542	22,321
Non-recurring costs	—	3,524	7,664	4,954
	8,883	6,617	29,206	27,275
Amortization of deferred gain on a sale-leaseback transaction included in administrative expenses	(174)	(172)	(497)	(172)
Loss (gain) on disposal	234	334	331	764
Gain (loss) on disposal included in non-recurring costs	—	4	(225)	(192)
Normalized earnings before financial expenses and income taxes (normalized EBIT)	**8,943**	6,783	**28,815**	27,675
EBITDA				
Normalized earnings before financial expenses and income taxes (normalized EBIT)	8,943	6,783	28,815	27,675
Depreciation and amortization	2,221	1,944	8,281	8,738
Normalized earnings before depreciation, amortization, financial expenses and income taxes (normalized EBITDA)	**11,164**	8,727	**37,096**	36,413
NET EARNINGS				
Net earnings	6,484	1,202	14,599	11,584
Non-recurring costs (net of related income taxes)	—	2,977	6,494	4,192
Net earnings before non-recurring costs	**6,484**	4,179	**21,093**	15,776
Weighted average number of shares outstanding (in thousands)				
• **basic**	**23,986**	23,887	**23,979**	23,860
• **diluted**	**24,670**	24,618	**24,607**	24,596
Earnings per share before non-recurring costs				
• **basic**	**0.27**	0.17	**0.88**	0.66
• **diluted**	**0.26**	0.17	**0.86**	0.64

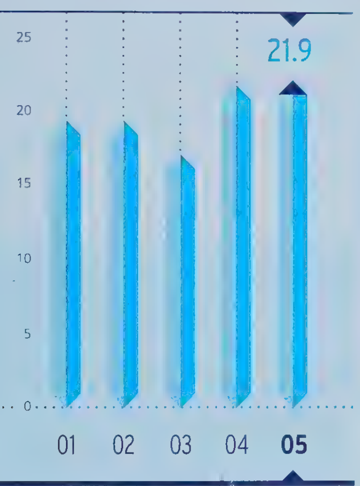
ANALYSIS OF PRINCIPAL CASH FLOWS AND FINANCIAL POSITION AS AT MARCH 31, 2005

Cash flows from operating activities (before net changes in operating assets and liabilities) totalled $27.7 million during fiscal 2005, compared with $17.7 million the previous year. Besides the growth in net earnings, this 56.9% increase can notably be explained by the recognition of significant non-cash expenses among the fiscal 2005 restructuring costs (including $5.5 million in accelerated amortization of fixed assets). Net changes in operating assets and liabilities used cash flows of $5.8 million, mainly due to the increase in accounts receivable arising from the Company's business growth.

Operating activities therefore provided net cash flows of $21.9 million, versus $21.8 million in 2004. It should be pointed out that GL&V's operating activities which generate significant cash flows from year to year, have continuously exceeded $17 million over the past five years, for an annual average of $19.9 million.

CASH FLOWS FROM OPERATING ACTIVITIES

(in millions of $)



Among the year's other cash inflows, the Company recorded proceeds totalling $4.6 million on the disposal of fixed assets (property and equipment) in connection with the Pulp and Paper Group's restructuring, as well as net proceeds of $1.9 million on changes in various investments. The year's combined cash inflows, which totalled over $28 million, were used for the following:

- the repayment of $10.9 million in long-term debt;
- the purchase of $6.1 million in new fixed assets in the normal course of business; and
- an increase of $1.3 million in other assets, mainly deferred product development expenses.

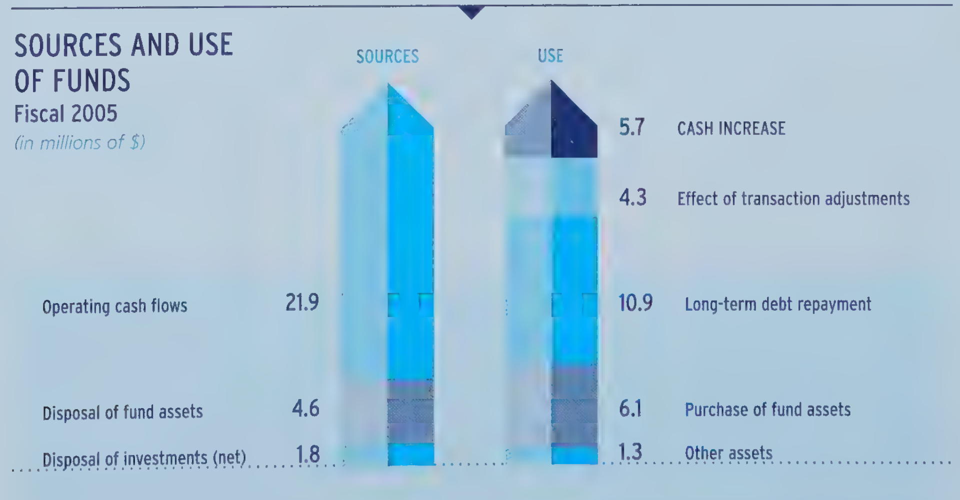
The balance, net of the $4.3 million impact of exchange rate fluctuations on cash and cash equivalents, increased the latter by $5.7 million to $32.3 million as at March 31, 2005, compared with $26.6 million a year earlier. Adding temporary investments, GL&V had available cash of $35.7 million at the close of the last fiscal year, up from $31.9 million a year earlier.

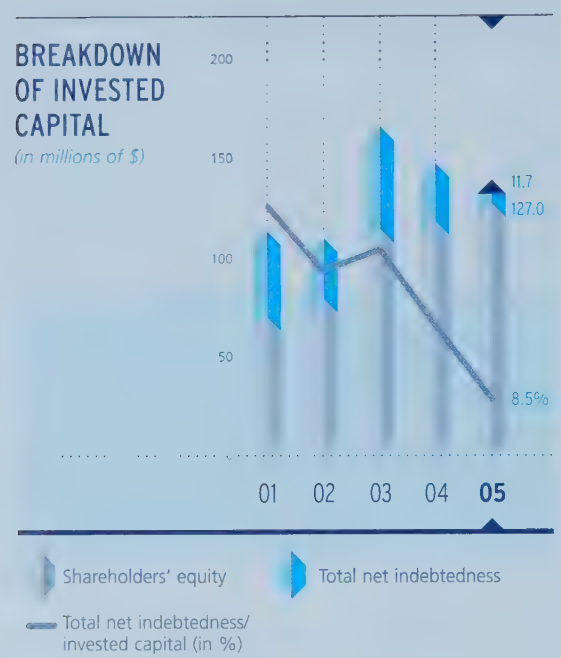
As no acquisitions were made during fiscal 2005, most of the changes in balance sheet items between March 31, 2004 and the same date in 2005 can be explained by the internal growth of the Company's operations and financial results, the repayment of debt using its cash flows and the sale of non-strategic assets, as well as the impact of currency fluctuations.

SOURCES AND USE OF FUNDS

Fiscal 2005

(in millions of $)





As at March 31, 2005, GL&V's total assets stood at $326.1 million, compared with $327.7 million as at March 31, 2004. Working capital amounted to $95.8 million for a current ratio of 1.7:1, versus $84.9 million and a 1.6:1 ratio as at March 31, 2004. This increase is mainly attributable to the increase in cash, cash equivalents and accounts receivable. The value of fixed assets decreased from $44.9 million to $36.6 million, as a result primarily of the disposal of assets as part of the Pulp and Paper Group's restructuring, and to the fact that the year's capital expenditures were lower than depreciation and amortization. The decline in the value of proprietary rights and patents as well as other assets can also be explained by the period's depreciation and amortization, along with translation adjustments. This last factor was also accountable for the decrease in goodwill.

Due to this year's net earnings, shareholders' equity grew by 7.0%, from $118.7 million as at March 31, 2004 to $127.0 million by the same date in 2005, despite a negative variation of $18.3 million in translation adjustments. Long-term debt (including the current portion) amounted to $47.4 million at the end of the last fiscal year, down $13.6 million or 22.2% from $61.0 million a year earlier. Deducting available cash, the total net debt was reduced by $17.3 million or almost 60% to $11.7 million as at March 31, 2005, down from $29.1 million as at March 31, 2004. The total net debt to invested capital ratio thus decreased from 19.7% to 8.5%.

Given its solid financial position and proven ability to generate significant cash flows from its operations, GL&V is therefore in a very solid financial position to pursue its expansion worldwide, mainly through acquisitions.

INFORMATION ON THE COMPANY'S SHARE CAPITAL

As at March 31, 2005, GL&V's share capital consisted of 2,863,815 Class B Multiple Voting shares and 21,122,065 Class A Subordinate Voting shares, for a total of 23,985,880 voting and participating shares issued and outstanding. During the fiscal year, 720,469 Class B shares (on a split basis) were converted into an equivalent number of Class A shares, and 20,000 Class A shares (on a split basis) were issued under a stock option plan.

A maximum of 1,934,848 Class A shares can be issued under stock option plans for senior executives, management and directors. As at March 31, 2005, options for the purchase of 1,199,000 Class A Subordinate Voting shares had been granted, at a weighted average exercise price of $4.61 per share.

EVENTS SUBSEQUENT TO THE END OF THE LAST FISCAL YEAR

Acquisition in the Water Treatment Sector

On April 1, 2005, at the very beginning of the new fiscal year, GL&V acquired certain assets of the British company Jones and Attwood Limited ("Jones & Attwood") located in the Birmingham area, England, and of its wholly-owned subsidiary Jones and Attwood, Inc., operating a sales and service centre in Chicago, Illinois. The transaction that was concluded at a cost of approximately $5 million relates more specifically to Jones & Attwood's operations and assets in the water treatment sector (excluding the real estate assets). These operations consist of the design, manufacture, marketing and installation of effluent liquid-solid filtration and separation process equipment targeted mainly to municipalities as well as an industrial customer base. During the last full fiscal year, they generated sales of approximately $15 million, of which 68% in Europe, 28% in the United States and 4% in the Asia-Pacific region. Founded in 1836, Jones & Attwood has proven know-how and technologies, a recognized trademark and a significant installed equipment base in Europe and elsewhere around the world. This acquisition therefore offers solid potential for future growth and synergy with GL&V's U.S. subsidiary Eimco Water Technologies, LLC, since the Company will have the opportunity to develop the acquired operations by integrating them into its existing infrastructures in Europe and the United States. In addition, while using its international network to increase the sale of Jones & Attwood products, GL&V will be able to capitalize on an expanded European representation force to market the Water Treatment Group's various technologies. Strategically, the acquisition of Jones & Attwood meets GL&V's objective of securing a growth platform in Europe's high-potential water treatment industry. The purchase price allocation will be completed within the first quarter of fiscal 2006.

Acquisition in the Pulp and Paper Sector

On May 27, 2005, the Company acquired, from the British company United Industries plc, certain assets of its subsidiary Perplas Limited ("Perplas") based in Manchester, England, specializing in the manufacture of certain stock preparation equipment and high-turnover replacement parts ("consumables") targeted mostly to the pulp and paper and packaging industries. Completed for a cash consideration of approximately $0.6 million, the transaction primarily covers the inventories, proprietary rights, patterns, machinery and equipment. Perplas achieved sales of $8.5 million in its last fiscal year, approximately 80% of which in Europe, and the balance in North and South America, the Asia-Pacific region and Africa. Therefore, this acquisition will contribute to strengthen the Pulp and Paper Group's position in Europe in addition to expanding its product selection. It also holds promising growth potential as these new products will be marketed through GL&V's international network.

CONTRACTUAL COMMITMENTS

In addition to the debts appearing in the balance sheet, the Company has entered into operating leases for premises and equipment with total minimum lease payments of approximately $21.2 million, which expire at various dates until 2013. Minimum annual lease payments for the next five years and thereafter are as follows:

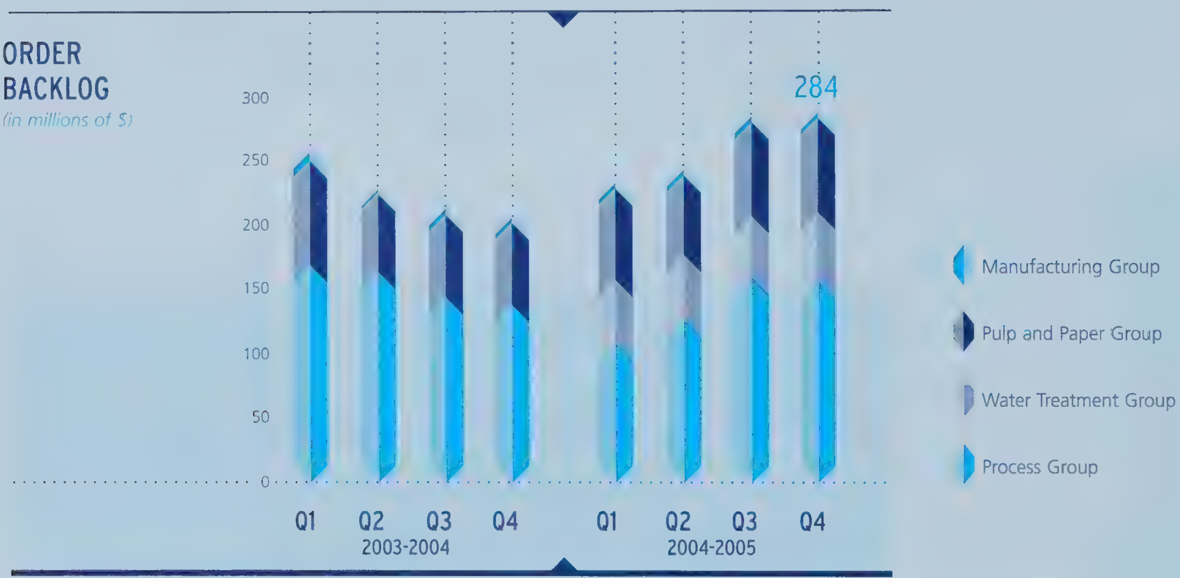
	(in thousands of $)
2006	5,727
2007	3,887
2008	2,729
2009	2,462
2010	2,339
2011 and thereafter	4,012

The Company is also committed under letters of credit and corporate letters of guarantee, for an amount that totalled approximately $53.7 million as at March 31, 2005.

OUTLOOK, REQUIREMENTS AND SOURCES OF FUNDS FOR FISCAL 2005-2006

As at March 31, 2005, the Company's order backlog stood at a record high of $284 million, up more than 39% over $204 million as at March 31, 2004.

The Company generally looks forward to a business environment conducive to financial growth during the fiscal year ending March 31, 2006. First, GL&V expects revenue growth given its substantial order backlog and the persisting boom in mining industry expenditures worldwide. Management also expects a good year 2005-2006 for the Pulp and Paper Group, given its more international and further focused approach, and its improved cost structure. This group aims to increase its international presence and further strengthen its positioning in the North American and European aftermarkets. As for the Water Treatment Group, besides its recent acquisition in Europe, it anticipates a gradual improvement in market conditions. Second, the benefits of the Pulp and Paper Group's restructuring program, which are in line with expectations, combined with the Company's revenue growth and improved conditions in the water treatment market, should continue contributing to the Company's profitability. Finally, GL&V continues to actively seek opportunities to acquire complementary businesses meeting its strategic positioning and return on investment criteria.



Note: before fiscal 2005, the Water Treatment Group's order backlog was included in the Process Group's.

For fiscal 2006, excluding possible acquisitions, capital expenditures of approximately $7.0 million are planned, primarily for the normal course of business. The Company also plans to repay some $10.6 million in long-term debt. GL&V's available cash, cash flows from operating activities and the eventual disposal of certain non-strategic assets should suffice to provide for its regular funding requirements. As at March 31, 2005, in addition to its solid financial position, the Company had unused credit facilities of approximately $55 million to facilitate the pursuit of its expansion through the ongoing search for strategic acquisitions.

As for dividends, the policy of GL&V's Board of Directors is to assess every year the relevance of paying a dividend in light of the Company's investment and acquisition projects, strategic objectives, respect of its financial ratios and available cash. No dividends have been paid over the last three fiscal years.

RISKS AND UNCERTAINTIES

The risk factors and uncertainties described below are those to which the Company is significantly exposed. GL&V is exposed to other risks and uncertainties of lesser importance, which could become more important in the future.

Customers

The Company carries on its operations in markets exposed to various risk factors and uncertainties. Among others, pulp and paper equipment suppliers like GL&V have had to adjust to a significant transition within this industry over the past years. Despite a slight improvement in recent quarters, weak pulp prices worldwide have made large capital projects rather limited, pulp and paper manufacturers being more inclined to rebuild their existing equipment and to use replacement parts and repair services. The Company's Pulp and Paper Group has adapted to this reality by focusing on the aftermarket and spare parts services in North America, while targeting certain emerging markets abroad. Moreover, the acquisition of Eimco has considerably reduced GL&V's exposure to the pulp and paper market in favour of other markets served by the Process Group, thereby reducing the impact of the pulp and paper industry's cycles. Finally, GL&V's outsourcing strategy enables it to minimize the risks associated with fixed costs and thereby rapidly react to fluctuations in demand.

Currency Fluctuations

As the Company's business is conducted in several countries, it is exposed to the risk of fluctuations of such currencies compared to the Canadian dollar. Major foreign currencies used are the U.S. dollar and the EURO.

Part of its exposure to the risk of currency fluctuations is naturally hedged by the portion of its long-term debt denominated in U.S. dollars. Major contracts awarded to subsidiaries are hedged locally using forward exchange contracts. Forward exchange contracts are also used to hedge against the effects of exchange fluctuations on the net cash flows in U.S. dollars of its Canadian subsidiaries.

Interest Rates

Changes in interest rates can have a direct impact on the Company's profitability. GL&V uses interest rate swaps to hedge against the risk of fluctuations in interest rates on its long-term debt.

Forward Exchange Contracts

Forward exchange contracts, zero-cost tunnel contracts and interest rate swaps are arranged with recognized financial institutions. Considering the solvency of these institutions, the Company estimates it is unlikely that it could sustain losses resulting from the non-compliance of these financial institutions with their obligations.

Credit

The Company considers its credit concentration risk to be minimal on account of its diversified operations, products, customers and the geographical distribution of its customer base. GL&V was not exposed to any unusual credit risk as at March 31, 2005.

Liquidity

Given the nature of its business, more specifically large-scale mandates and progress billing, GL&V can be exposed to certain liquidity risks during the execution of major contracts for which it must incur costs before billing the customer. The Company considers this risk to be attenuated by its large number of contracts as well as their segmented and geographical diversity. In addition, it manages this risk by obtaining letters of credit or bank guarantees from recognized banking institutions.

Acquisitions

The Company's growth strategy is based primarily on expansion by acquisition, which involves a degree of risk. GL&V has developed a solid expertise in this field, having successfully acquired and integrated a dozen businesses in the last six years. To limit its risk, the Company pursues its targeted acquisition strategy meeting strict return on investment criteria, applies due diligence practices, and develops detailed integration plans focused notably on the disposal of non-strategic assets to lower its fixed costs and repay a portion of its debt using the proceeds from the sale.

Multilateral Instrument 52-109

An evaluation was performed under the supervision and with the participation of the Company's management of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures are effective March 31, 2005.

FINANCIAL INSTRUMENTS

Derivative Financial Instruments

To reduce the risks related to currency fluctuations, GL&V uses derivative financial instruments such as forward exchange contracts and zero-cost collar contracts. The Company does not hold or issue any derivative financial instruments for commercial or speculative purposes. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. In management's opinion, none of the parties to the existing derivative financial instruments are expected to default on their obligations since they are large multinational financial institutions. Forward exchange contracts and zero-cost collar contracts are recorded at their fair value at the end of each period.

The Company also enters into interest rate swaps in order to manage the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

Fair Value

The fair values of financial liabilities are estimated based on discounted cash flows using year-end market yields or the market value of similar instruments having the same maturity. The fair values of derivative financial instruments are estimated using year-end market rates, and reflect the amount the Company would receive or pay if the instruments were closed out at those dates. The carrying amount of cash and cash equivalents, temporary investments, accounts receivable and accounts payable and accrued liabilities approximates its fair value, as these items will be realized or paid within one year.

nancial instruments with a fair value different from their carrying amount as at March 31, 2005 and 004 are as follows:

	2005		2004	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
ong-term debt, including the current portion	**$(47,427)**	**$(47,427)**	$(60,995)	$(60,995)
terest rate swap agreements	**—**	**(230)**	—	(1 366)
orward exchange contracts and zero-cost collar contracts	**645**	**645**	—	527

) Forward exchange contracts and zero-cost collar contracts are recorded at their fair value effective April 1, 2004.

RECENT ACCOUNTING POLICY STATEMENTS

In November 2003, the AcSB approved the amendment to Section 3860, *Financial Instruments – Disclosure and Presentation*. According to this amendment, certain obligations that can be settled through the issuance of equity capital of the issuer must be presented as liabilities. This amendment applies to fiscal years beginning on or after November 1, 2004. The Company will apply this amendment during its 2006 fiscal year and does not expect it to have a significant impact on its consolidated financial statements.

In January 2005, the CICA issued Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3865, *Hedges* and Section 1530, *Comprehensive Income*. Section 3855 prescribes when a financial instrument is to be recognized in the balance sheet and at what amount. Sometimes the fair value is used and other times cost-based measure will be used. It also specifies how financial instrument gains and losses are to be presented. Section 3865, the application of which is optional, provides alternative treatments to Section 3855, *Financial Instruments – Recognition and Measurement*, for entities which choose to designate qualifying transactions as hedges for accounting purposes. It builds on existing Accounting Guideline AcG-13, *Hedging Relationships*, and Section 1650, *Foreign Currency Translation*, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. Section 1530 introduces a new requirement to temporarily present certain gains and losses outside net earnings. The mandatory effective date for these sections is for annual and interim periods beginning on or after October 1, 2006. The Company is currently evaluating the impact of those new recommendations.

SUPPLEMENTARY INFORMATION

Supplementary information about the Company, including its Annual Information Form, Management Proxy Circular, interim reports and press releases, is available on SEDAR's website (www.sedar.com) and GL&V's website (www.glv.com).

Laurent Verreault
Chairman of the Board
President and Chief Executive Officer

William Saulnier
Executive Vice-President and
Chief Financial Officer

June 2, 2005

MANAGEMENT'S REPORT

The consolidated financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the information and data contained in the financial statements. In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal control.

The external auditors, KPMG LLP conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

Laurent Verreault
President and Chief Executive Officer

William Saulnier
Executive Vice-President and Chief Financial Officer

Trois-Rivières, Canada
May 13, 2005

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Groupe Laperrière & Verreault Inc. as at March 31, 2005 and 2004 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Montreal, Canada
May 13, 2005

CONSOLIDATED BALANCE SHEETS

March 31, 2005 and 2004 *(in thousands of dollars)*

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 32,332**	$ 26,614
Temporary investments	**3,351**	5,307
Accounts receivable (note 3)	**126,679**	114,653
Inventories (note 4)	**35,222**	36,844
Contracts in progress, less progress billings (note 5)	**29,659**	31,034
Prepaid expenses	**2,530**	3,765
Future income taxes (note 6)	**7,435**	5,289
	237,208	223,506
Long-term investments (note 7)	**3,317**	3,351
Property, plant and equipment (note 8)	**36,566**	44,948
Future income taxes (note 6)	**5,028**	6,587
Goodwill (note 9)	**27,668**	30,402
Intellectual property rights and patents (note 10)	**9,453**	11,405
Other assets (note 11)	**6,888**	7,490
	$ 326,128	$ 327,689
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 126,861**	$ 125,264
Income taxes payable	**3,460**	1,844
Future income taxes (note 6)	**458**	295
Current portion of long-term debt (note 12)	**10,613**	11,222
	141,392	138,625
Long-term debt (note 12)	**36,814**	49,773
Other liabilities (note 13)	**14,859**	13,826
Future income taxes (note 6)	**6,019**	6,720
Shareholders' equity:		
Share capital (note 14)	**57,731**	57,688
Contributed surplus (note 15)	**253**	—
Retained earnings	**87,310**	72,711
Translation adjustment	**(18,250)**	(11,654)
	127,044	118,745
Commitments and guarantees (note 25)		
Contingencies (note 26)		
Subsequent event (note 27)		
	$ 326,128	$ 327,689

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors:

Pierre Monahan, Director

Claude Boivin, Director

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended March 31, 2005 and 2004 *(in thousands of dollars, except for per share amounts)*

	2005	2004
Revenues	**$ 556,214**	$ 547,837
Cost of contracts and goods sold	**422,756**	414,137
	133,458	133,700
Selling expenses	**53,680**	53,775
Administrative expenses	**41,377**	42,685
Research and development costs	**914**	1,227
	95,971	97,687
Earnings before non-recurring expenses, depreciation and amortization, financial expenses and income taxes	**37,487**	36,013
Non-recurring expenses (note 16)	**7,664**	4,954
Depreciation and amortization (note 17)	**8,281**	8,738
Earnings before financial expenses and income taxes	**21,542**	22,321
Financial expenses (note 18)	**4,343**	8,639
Earnings before income taxes	**17,199**	13,682
Income taxes (note 6)	**2,600**	2,098
Net earnings	**$ 14,599**	$ 11,584
Earnings per share (note 19) (1):		
Basic	**$ 0.61**	$ 0.49
Diluted	**0.59**	0.47

(1) Earnings per share amounts for 2005 and 2004 take into account the two-for-one stock split that occurred on March 24, 2005.

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended March 31, 2005 and 2004 *(in thousands of dollars)*

	2005	2004
Retained earnings, beginning of year	**$ 72,711**	$ 61,127
Net earnings	**14,599**	11,584
Retained earnings, end of year	**$ 87,310**	$ 72,711

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2005 and 2004 *(in thousands of dollars)*

	2005	2004
Cash flows from (used in) operating activities:		
Net earnings	**$ 14,599**	$ 11,584
Non-cash items in earnings, net (note 20)	**13,103**	6,077
Net change in non-cash balances related to operations (net of the effect of business acquisitions and disposals) (note 21)	**(5,819)**	4,115
	21,883	21,776
Cash flows from (used in) financing activities:		
Repayment of long-term debt	**(10,915)**	(23,127)
Increase in deferred financing costs	**(228)**	(530)
Issue of Class A subordinate shares	**43**	337
	(11,100)	(23,320)
Cash flows from (used in) investing activities:		
Business acquisitions (note 22)	**—**	(1,264)
Change in temporary investments	**1,956**	(4,307)
Acquisition of long-term investments	**(226)**	—
Disposal of long-term investments	**101**	209
Purchase of property, plant and equipment	**(6,106)**	(4,908)
Disposal of property, plant and equipment	**4,598**	12,724
Net change in other assets	**(1,060)**	(2,401)
	(737)	53
Effect of translation adjustments on cash and cash equivalents	**(4,328)**	(8,741)
Net increase (decrease) in cash and cash equivalents	**5,718**	(10,232)
Cash and cash equivalents, beginning of year	**26,614**	36,846
Cash and cash equivalents, end of year	**$ 32,332**	$ 26,614
Supplemental information:		
Net interest paid	**$ 4,016**	$ 5,232
Income taxes paid	**3,516**	2,994

See accompanying notes to consolidated financial statements.

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2005 and 2004

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

The Company, whose head office is in Trois-Rivières, Québec, was incorporated under Part 1A of the Companies Act (Québec). Its main activities are to design, manufacture, rebuild, assemble and install equipment used by various industries.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principle of consolidation:

These consolidated financial statements include the accounts of the Company and all of its Canadian and foreign subsidiaries.

(b) Foreign currency translation:

The financial statements of self-sustaining foreign operations are translated using the current rate method. Differences resulting from this translation are deferred and recorded under a separate heading of shareholders' equity and are only included in earnings when there has been a reduction in the investment in these foreign operations.

Transactions in foreign currencies are translated using the temporal method. Exchange gains and losses are included in financial expenses.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash and investments having an initial term of three months or less from the acquisition date and are recorded at cost, which approximates fair value.

(d) Temporary investments:

Temporary investments are recorded at the lower of cost and market value. Temporary investments consist of term deposits bearing interest at annual rates ranging from 0.8% to 2.6% and maturing up to March 2006.

(e) Inventories:

Raw materials are recorded at the lower of average cost and replacement cost. Inventories of finished goods are recorded at the lower of average cost and net realizable value.

(f) Long-term investments:

Long-term investments are carried at cost. In the event of a decline in value which is considered to be other than temporary, the investment is written down to its estimated realizable value and the loss is charged to earnings.

(g) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Amortization is provided for using the straight-line method over the following periods:

Asset	Period
Landscaping, paving and fences	10 years
Buildings	20 years
Equipment, furniture and fixtures	5 to 10 years
Molds	10 years
Experimental equipment	20 years
Computer hardware and software	3 and 10 years
Vehicles	3 years
Leasehold improvements	Term of leases

(h) Deferred government assistance and investment tax credits:

Deferred government assistance and investment tax credits relating to property, plant and equipment and development costs are recorded using the cost reduction method and amortized on the same basis as the related assets.

(i) Goodwill:

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the income statement before extraordinary items and discontinued operations.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*:

(j) Intellectual property rights, patents and other assets:

Intellectual property rights and patents are recorded at cost and are amortized on a straight-line basis over a period of 10 years.

Development expenses include costs relating to specific projects, net of income tax credits, which, in the Company's opinion, have a specific market in the future. These expenses are deferred and amortized on a straight-line basis over a period of three to five years. All other research and development expenses are expensed in the year they are incurred.

Deferred financing costs are recorded at cost and amortized on a straight-line basis over the term of the financing agreement. Amortization for the fiscal year is included in financial expenses.

(k) Impairment of long-lived assets:

Accounting for the potential impairment of long-lived assets held for use is a two-step process with the first step determining when impairment should be recognized, and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

(l) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enacted or substantively enacted date. Future income tax assets are recognized and, if realization is not considered "more likely than not", a valuation allowance is provided.

(m) Revenue recognition:

The Company uses the completed contract method to record contract revenue other than revenue from long-term contracts for which it uses the percentage-of-completion method. The percentage of completion is determined using the cost-to-cost method, which consists in comparing the costs incurred over total expected costs according to the Company's estimates. The full amount of losses is recorded once it can be estimated. Contracts in progress include direct labour, materials and overhead costs plus any estimated gain on such costs. Progress billings are presented as a reduction of the costs incurred on the contracts in progress.

Revenues from the sale of spare parts and from after sales services are recognized when services are provided or upon delivery.

(n) Pension plans:

The Company offers to certain of its employees, defined benefit pension plans and defined contribution pension plans. The defined benefit pension plan costs are determined using actuarial methods.

The defined benefit pension plans are unfunded plans for which a liability has been accounted for as described in note 13.

(o) Environmental expenditures:

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which are not expected to contribute to current or future operations are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are likely, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated.

(p) Derivative financial instruments:

The Company carries on its operations principally in North America and Europe.

The Company is exposed to market risks relating to currency fluctuations. To reduce these risks, it uses derivative financial instruments, such as forward exchange contracts and zero-cost collar contracts. The Company does not hold or issue any derivative financial instruments for commercial or speculative purposes. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. In management's opinion, none of the parties to the existing financial instruments is expected to default on their obligations since they are large multinational financial institutions. Those financial instruments are accounted for using the mark-to-market method.

1. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*:

(p) Derivative financial instruments *(continued)*:

The Company also enters into interest rate swaps in order to manage the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

(q) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of the assets and liabilities reported, the related revenue and expense items, and disclosure of contingent assets and liabilities. The significant sections of the financial statements which require the use of estimates include the determination of future costs related to contracts in progress, warranty and environmental provisions, the useful life of assets for the purposes of computing amortization and the evaluation of the impairment of assets, provision for income taxes and the determination of the fair value of financial instruments. Consequently, it is possible that changes in future conditions in the near term could require a change in the recognized amounts.

(r) Comparative figures:

Certain comparative figures for 2004 have been reclassified to conform to the presentation adopted for the year ended March 31, 2005.

2. NEW ACCOUNTING POLICIES:

(a) Hedging relationships:

In June 2003, the CICA issued amendments to Accounting Guideline No. 13 (AcG-13), "Hedging Relationships." These amendments clarify a certain number of the requirements in addition to providing additional implementation guidance relating to the identification, designation and documentation of the hedging relationships and an assessment of their effectiveness. The requirements of the guideline are applicable to all hedging relationships in effect for fiscal years beginning on or after July 1, 2003. Retroactive application is not permitted. All hedging relationships must be assessed as of the beginning of the first year of application to determine whether the hedging criteria in the guideline are met. Hedge accounting is to be discontinued for any hedging relationships that do not meet the requirements of the guideline.

Given the operations of the Company, the effectiveness criteria described in AcG-13 are difficult to meet, if at all, due to the financial instruments utilized by the Company to mitigate its foreign exchange fluctuation exposures. As a result, the Company elected not to designate any of the current foreign exchange risk management activities as accounting hedges under AcG-13. Consequently, those financial instruments are accounted for using the mark-to-market method.

The Company's policy is still to use financial instruments, such as forward exchange contracts for hedging purposes and not for speculative purposes. The Company believes that such financial instruments are efficient tools in reducing its exposure to fluctuations in foreign exchange rates, even if the AcG-13 effectiveness criteria are not met.

Hedging relationships with regard to variations of foreign exchange rates existing as at March 31, 2004 did not meet AcG-13 criteria and, as such, have been accounted for using their fair value as at April 1, 2004. This has resulted in an increase of $527,000 in other assets with a corresponding amount as a deferred gain in liabilities. This unrealized gain was completely amortized and recognized in earnings during the year.

(b) Generally Accepted Accounting Principles and General Standards of Financial Presentation:

In July 2003, the CICA issued Section 1100, "Generally Accepted Accounting Principles", and Section 1400, "General Standards of Financial Statement Presentation". These sections establish standards for financial reporting and fair presentation in accordance with Canadian GAAP and provide guidance on sources to consult when a matter is not dealt with explicitly in the primary sources of Canadian GAAP. The Company adopted these new recommendations on April 1, 2004. The effect of adopting these new recommendations had no impact on the consolidated financial statements.

(c) Asset retirement obligations:

In March 2003, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3110, Asset Retirement Obligations, which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal use of the assets. The standard requires an entity to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and when a reasonable estimate of fair value can be made. The standard defines the fair value as the amount at which the liability could be settled in a current transaction between willing parties, other than in a forced or liquidation transaction. An entity is subsequently required to allocate the asset retirement cost and amortize it over its useful life. The Company adopted the new recommendations on April 1, 2004 and the effect of adopting them did not have a significant impact on the consolidated financial statements at the initial adoption date.

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2005 and 2004
(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

3. ACCOUNTS RECEIVABLE:

	2005	2004
Trade	**$ 105,311**	$ 101,537
Holdbacks on contracts	**11,710**	8,313
Other	**9,658**	4,803
	$ 126,679	$ 114,653

The Company operates mainly in North America and Europe. Approximately 39% of the trade accounts (38% in 2004) were related to the pulp and paper industry. The Company establishes a provision for doubtful accounts to cover the specific risk of its customers.

4. INVENTORIES:

	2005	2004
Raw materials	**$ 5,226**	$ 5,413
Finished goods	**29,996**	31,431
	$ 35,222	$ 36,844

5. CONTRACTS IN PROGRESS AND PROGRESS BILLINGS:

	2005	2004
Contracts in progress	**$ 118,098**	$ 130,815
Progress billings	**(88,439)**	(99,781)
	$ 29,659	$ 31,034

6. INCOME TAXES:

The domestic and international components of earnings before income taxes are as follows:

	2005	2004
Domestic	**$ 7,016**	$ 2,501
International	**10,183**	11,181
	$ 17,199	$ 13,682

The total income tax expense is as follows:

	2005	2004
Current:		
Domestic	**$ 623**	$ (56)
International	**3,711**	6,380
	4,334	6,324
Future:		
Domestic	**2,233**	1,648
International	**(3,967)**	(5,874)
	(1,734)	(4,226)
	$ 2,600	$ 2,098

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2005 and 2004
(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

6. INCOME TAXES *(CONTINUED)*:

The domestic statutory tax rate is 33.17% (34.52% in 2004). The following table reconciles the difference between income taxes computed at the above-mentioned domestic statutory tax rate and the total income tax expense:

	2005	2004
Domestic statutory tax rate	**$ 5,705**	$ 4,724
Impact of foreign tax rate differences	**(3,012)**	(2,028)
	2,693	2,696
Increase (decrease) resulting from:		
Large corporation and American state taxes	**264**	446
Permanent differences	**(508)**	(433)
Change in valuation allowance	**(190)**	(1,588)
Impact of changes in income tax rates on future taxes	**38**	78
Other	**303**	899
	(93)	(598)
Income taxes	**$ 2,600**	$ 2,098

The tax effects of significant items comprising the Company's net future tax assets are as follows:

	2005	2004
Future tax assets:		
Loss carryforwards	**$ 7,456**	$ 7,578
Provision for future compensation	**2,341**	1,312
Provisions deferred for tax purposes	**5,849**	3,767
Acquisition costs related to business acquisitions	**4,850**	4,923
Other	**277**	455
	20,773	18,035
Valuation allowance	**(1,991)**	(2,129)
	18,782	15,906
Future tax liabilities:		
Differences between book and tax bases of property, plant and equipment	**(6,636)**	(6,298)
Other	**(6,160)**	(4,747)
	(12,796)	(11,045)
Net future tax assets	**$ 5,986**	$ 4,861

The current and long-term future tax assets and liabilities are as follows:

	2005	2004
Future tax assets:		
Current	**$ 7,435**	$ 5,289
Long-term	**5,028**	6,587
	12,463	11,876
Future tax liabilities:		
Current	**(458)**	(295)
Long-term	**(6,019)**	(6,720)
	(6,477)	(7,015)
Net future tax assets	**$ 5,986**	$ 4,861

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

6. INCOME TAXES *(CONTINUED)*:

The amounts for 2005 and 2004 reflected in the table above include valuation allowances of $1,991,000 and $2,129,000, respectively. The valuation allowances are mainly related to the benefits resulting from the operating loss carryforwards for which the use is subject to restrictions so that it is unlikely that they would be used to reduce taxable benefits.

As at March 31, 2005, the Company had operating loss carryforwards for income tax purposes available to reduce taxable income of $16,032,000 expiring from 2007 to 2025, and $189,000 which can be carried forward indefinitely. The Company also had operating loss carryforwards and capital losses of $6,746,000 and $1,288,000, respectively, for which a valuation allowance had been recorded since there can be limitations on their utilization.

The Company has not recognized a tax liability for the retained earnings of its subsidiaries in the current and prior years because the Company currently does not expect the retained earnings to become taxable in the foreseeable future. A future tax liability will be recognized when the Company expects that it will recover the retained earnings in a taxable form, such as through a receipt of dividends or a sale of investments.

7. LONG-TERM INVESTMENTS:

	2005	2004
Investments, at cost:		
Shares of private companies	**$ 1,500**	$ 1,500
Other	**1,817**	1,851
	$ 3,317	$ 3,351

8. PROPERTY, PLANT AND EQUIPMENT:

2005	**Cost**	**Accumulated amortization**	**Unamortized cost**
Land	**$ 3,368**	**$ —**	**$ 3,368**
Landscaping, paving and fences	**374**	**188**	**186**
Buildings	**21,467**	**7,829**	**13,638**
Equipment, molds, furniture and fixtures	**31,355**	**18,365**	**12,990**
Experimental equipment	**1,623**	**1,469**	**154**
Computer hardware and software	**15,282**	**9,567**	**5,715**
Vehicles	**658**	**430**	**228**
Leasehold improvements	**1,852**	**1,214**	**638**
Deferred government assistance and investment tax credits	**(1,101)**	**(750)**	**(351)**
	$ 74,878	**$ 38,312**	**$ 36,566**

2004	Cost	Accumulated amortization	Unamortized cost
Land	$ 4,521	$ —	$ 4,521
Landscaping, paving and fences	356	155	201
Buildings	26,595	8,230	18,365
Equipment, molds, furniture and fixtures	34,517	19,562	14,955
Experimental equipment	2,367	1,679	688
Computer hardware and software	13,777	7,893	5,884
Vehicles	550	322	228
Leasehold improvements	1,658	1,176	482
Deferred government assistance and investment tax credits	(1,101)	(725)	(376)
	$ 83,240	$ 38,292	$ 44,948

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

9. GOODWILL:

	Balance as at March 31, 2004	Business acquisitions	Translation adjustment	Balance as at March 31, 2005
Process Group	$ 22,963	$ —	$ (2,050)	$ 20,913
Water Treatment Group	4,760	—	(426)	4,334
Pulp & Paper Group	2,679	—	(258)	2,421
	$ 30,402	$ —	$ (2,734)	$ 27,668

10. INTELLECTUAL PROPERTY RIGHTS AND PATENTS:

	Balance as at March 31, 2004	Acquisitions	Amortization	Translation adjustment	Balance as at March 31, 2005
Intellectual property rights	$ 11,087	$ 188	$ (1,370)	$ (698)	$ 9,207
Patents	318	40	(100)	(12)	246
	$ 11,405	$ 228	$ (1,470)	$ (710)	$ 9,453

	Balance as at March 31, 2003	Acquisitions	Amortization	Translation adjustment	Balance as at March 31, 2004
Intellectual property rights	$ 13,147	$ 547	$ (1,337)	$ (1,270)	$ 11,087
Patents	292	118	(92)	—	318
	$ 13,439	$ 665	$ (1,429)	$ (1,270)	$ 11,405

11. OTHER ASSETS:

	2005	2004
Development costs	**$ 3,545**	$ 3,342
Deferred financing costs	**2,531**	3,367
Other	**812**	781
	$ 6,888	$ 7,490

12. LONG-TERM DEBT:

	2005	2004
Term loan, for a maximum amount of $35,000,000, bearing interest at prime rate of Canadian financial institution plus 0.75% to 1.50% and/or 30-to-180 day bankers' acceptance rate plus 1.75% to 2.50%, repayable in quarterly installments of $1,032,500 until September 2007, and the remaining balance in November 2007 (i)	**$ 19,300**	$ 23,430
Term loan, for a maximum amount of US$38,634,900, bearing interest at prime rate of an American financial institution plus 0.75% to 1.50% and/or the LIBOR 30-to-180 day rate plus 1.75% to 2.50%, repayable in quarterly installments of US$1,340,000 until September 2007 and the remaining balance in November 2007 (i)	**28,127**	37,497
7% note payable, repayable in quarterly installments of US$12,867, principal only, maturing in 2005	**—**	68
	47,427	60,995
Current portion of long-term debt	**10,613**	11,222
	$ 36,814	$ 49,773

(i) The utilized amounts for the term loans totalling $60,927,000, the operational line of credit for a total amount of $52,000,000 and the line of credit for business acquisitions amounting to $30,000,000 are collateralized by a moveable and an immoveable hypothec on the universality of the Company's property and that of certain of its subsidiaries.

As at March 31, 2005, the operational line of credit was used for issuing letters of credit in the amount of $26,705,000, and the line of credit for business acquisitions was not utilized. The credit agreement includes certain financial covenants, which were respected as at March 31, 2005.

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

12. LONG-TERM DEBT *(CONTINUED)*:

Principal repayments of long-term debt for the next three years are as follows:

2006	$ 10,613
2007	10,613
2008	26,201

13. OTHER LIABILITIES:

	2005	2004
Pension liabilities	$ 6,905	$ 5,971
Deferred gain on a sale-leaseback arrangement(1)	$ 4,480	5,412
Other	$ 3,474	2,443
	$ 14,859	$ 13,826

(1) During 2004, the Company disposed of a building in which it leases floor space. The sale of the building was accounted for as a sale-leaseback and, consequently, the gain resulting from the disposal has been recorded on the balance sheet and is amortized on a straight-line basis over the lease term, until 2014.

14. SHARE CAPITAL:

On March 24, 2005, the Company split its Class A and B shares on a two-for-one basis. All financial information presented in the following tables takes into account the stock split on a retroactive basis.

Authorized:

Unlimited number of shares without par value:

Class B multiple voting shares, carrying 10 votes per share, participating, convertible into Class A subordinate voting shares

Class A subordinate voting shares, participating

Preferred shares, issuable in series

Issued and fully paid:

	2005		2004	
	Number of shares	**Total**	Number of shares	Total
Class B shares				
Outstanding, beginning of year	**3,584,284**	**$ 2,826**	4,906,882	$ 3,869
Conversion of Class B shares into Class A shares	**(720,469)**	**(568)**	(1,322,598)	(1,043)
Outstanding, end of year	**2,863,815**	**$ 2,258**	3,584,284	$ 2,826
Class A subordinate voting shares				
Outstanding, beginning of year	**20,381,596**	**$ 54,862**	18,942,198	$ 53,482
Shares issued:				
Conversion of Class B shares into Class A shares	**720,469**	**568**	1,322,598	1,043
Issuance of shares pursuant to stock option plan (note 15)	**20,000**	**43**	116,800	337
Outstanding, end of year	**21,122,065**	**$ 55,473**	20,381,596	$ 54,862
Total	**23,985,880**	**$ 57,731**	23,965,880	$ 57,688

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

15. STOCK OPTION PLANS AND OTHER STOCK-BASED COMPENSATION PLANS:

(a) Stock option plans:

Under stock option plans for senior executives, management and directors, a maximum of 1,934,848 Class A shares (after the stock split described in note 14) of the share capital of the Company may be issued. Under the plans, the exercise price of each option is equivalent to the price of the Company's shares on the date of grant of the options and the maximum term of an option may not exceed 10 years. The terms and conditions of the options are determined by the Board of Directors. The table below reflects the stock split on a two-for-one basis.

	2005		2004	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Balance, beginning of year	**973,000**	**$ 2.54**	1,108,000	$ 2.59
Granted	**260,000**	**12.10**	—	—
Exercised in stock	**(20,000)**	**2.17**	(116,800)	2.89
Exercised in cash	**(14,000)**	**2.83**	(18,200)	3.48
Balance, end of year	**1,199,000**	**$ 4.61**	973,000	$ 2.54

The following table summarizes the information on the stock options outstanding as at March 31, 2005, and takes into account the stock split described in note 14:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$1.65	60,000	1.18	$ 1.65	60,000	$ 1.65
$2.00 - $2.13	400,000	3.74	2.07	400,000	2.07
$2.67	384,000	5.02	2.67	384,000	2.67
$3.80 - $4.00	65,000	5.86	3.85	65,000	3.85
$6.00 - $6.20	30,000	7.44	6.14	18,000	6.09
$9.60 - $9.83	100,000	9.24	9.78	20,000	9.60
$13.55	160,000	9.94	13.55	—	—
	1,199,000		$ 4.61	$ 947,000	$ 2.65

For stock options granted since April 1, 2003, the Company uses the fair value method of accounting and compensation cost is charged to earnings. During the year, 260,000 stock options (taking into account the stock split described in note 14) were issued and, accordingly, since April 1, 2004, a compensation cost amounting to $253,000 was recorded as compensation expense with the corresponding credit presented as contributed surplus. No options were issued in the previous year.

The fair value of each option granted during the year was determined using the Black-Scholes option pricing model and the following assumptions:

Weighted average fair value	$4.12
Risk-free interest rate	4.80%
Expected life	8 years
Expected volatility of stock price	27%
Expected dividend yield	1.2%

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

15. STOCK OPTION PLANS AND OTHER STOCK-BASED COMPENSATION PLANS *(CONTINUED)*:

(a) Stock option plans *(continued)*:

Before April 1, 2003, the Company used the settlement method for its stock options. If the compensation cost had been determined using the fair value method on the date of grant for stock options granted between April 1, 2002 and March 31, 2003, under the terms of all of these plans, pro forma net earnings and pro forma earnings per share (basic and diluted) would have been as follows:

	2005	2004
Net earnings, as reported	**$ 14,599**	$ 11,584
Compensation cost using the fair value method	**11**	14
Pro forma net earnings	**$ 14,588**	$ 11,570
Earnings per share:		
Basic – as reported	**$ 0.61**	$ 0.49
Diluted – as reported	**0.59**	0.47
Basic – pro forma	**0.61**	0.49
Diluted – pro forma	**0.59**	0.47

These pro forma amounts include a compensation cost based on a weighted average fair value of the attributed options at the date of grant determined to be $2.53 per stock option for the 30,000 options granted between April 1, 2002 and March 31, 2003 that take into account the stock split on the basis of two for one. The fair value of each option granted was determined using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	5%
Expected life	10 years
Expected volatility	34.5%
Expected dividend yield	$0.10

The pro forma results do not take into account the impact of the stock options granted before April 1, 2002.

(b) Other stock-based compensation plans:

The Company also offers to directors and certain employees, units with a value corresponding to the market price of the Class A shares.

Rights related to units granted to directors are vested one year after the issuance of the units. Compensation cost for these units is recorded over the year following the issuance date.

Rights related to units granted to certain employees are vested three years after the year-end to which the units relate. Units are paid as follows: 50% of the value of the rights is paid in the third year after the end of the year when the units were granted and 50% is paid when the employee leaves. The payment of the value of the units and the vesting of rights to units are also subject to conditions related to the employee's death, disability, retirement or departure. Compensation costs for the first payment of 50% of the value of the units are amortized on a straight-line basis over three years. Compensation costs for the second tranche of 50% are amortized over the employees' active remaining service periods estimated at 15 years.

As at March 31, 2005, 314,200 units (329,342 units in 2004) were outstanding for both plans. Compensation cost for 2005 was $1,706,000 ($971,000 in 2004).

16. NON-RECURRING EXPENSES:

The restructuring of the Pulp and Paper Group was substantially completed during the second quarter and all related significant costs have been recorded.

The Company incurred non-recurring expenses totaling $7.7 million, of which an amount of $6.0 million related to non-cash items mostly related to the accelerated amortization of property, plant and equipment.

Expenses include $5.8 million relating to the continuation of the restructuring initiatives of the Pulp and Paper Group which was initiated during the last fiscal year. The review and the execution of prior year initiatives resulted in additional costs amounting to $1.6 million.

Finally, the review of certain integration costs pertaining to the EIMCO acquisition resulted in an additional cost of $0.3 million.

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

16. NON-RECURRING EXPENSES *(CONTINUED)*:

The following table shows the Company's provision for restructuring and integration, and the initiatives undertaken by the Company during the year with regard to the provision's balance carried forward that was recorded in accounts payable and accrued liabilities as at March 31:

	2005	2004
Opening balance	**$ 2,452**	$ 1,232
Cost overruns for 2003 and 2004	**522**	1,022
New initiatives	**1,205**	4,229
Provision utilized	**(3,890)**	(3,680)
Reversal of previous years' provision	**—**	(297)
Translation adjustments	**—**	(54)
Ending balance	**$ 289**	$ 2,452

Non-recurring expenses are as follows:

	2005	2004
Workforce reduction costs	**$ 1,087**	$ 3,482
Leases, cost to shut down facilities and other	**6,577**	1,472
	$ 7,664	$ 4,954
Pulp and Paper Group	**$ 7,386**	$ 4,229
Process Group	**278**	725
	$ 7,664	$ 4,954

17. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF EARNINGS:

The consolidated statements of earnings include the following items:

	2005	2004
Amortization of property, plant and equipment	**$ 6,494**	$ 7,201
Amortization of development costs	**342**	133
Amortization of other assets	**1,470**	1,429
Amortization of deferred government assistance and investment tax credits	**(25)**	(25)
	8,281	8,738
Accelerated amortization of property, plant and equipment included in non-recurring expenses	**5,540**	—
	$ 13,821	$ 8,738

18. FINANCIAL EXPENSES:

	2005	2004
Interest on long-term debt	**$ 2,935**	$ 4,091
Interest (revenue) expense, net	**(425)**	13
Amortization of deferred financing costs	**991**	973
Exchange rate (gain) loss	**(1,053)**	2,174
Other	**1,895**	1,388
	$ 4,343	$ 8,639

19. EARNINGS PER SHARE:

Basic earnings per share are calculated by dividing the net earnings attributable to the shareholders by the weighted average number of participating shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net earnings attributable to the shareholders by the weighted average number of shares outstanding adjusted to take into account the potential diluting impact of the stock options.

	2005	2004
	(in thousands)	
Weighted average number of participating shares outstanding	**23,979**	23,860
Potential dilutive impact	**628**	736
Weighted average number of participating and diluted shares	**24,607**	24,596

The weighted average number of shares for 2005 and 2004 takes into account the stock split on a two-for-one basis described in note 14.

20. NON-CASH ITEMS IN NET EARNINGS:

	2005	2004
Loss on write-off of investments and other assets	**$ 14**	$ —
Loss on disposal of property, plant and equipment and other assets	**317**	764
Amortization (notes 17 and 18)	**14,812**	9,711
Future income taxes	**(1,734)**	(4,226)
Stock-based compensation	**253**	—
Amortization of deferred gain on sale-leaseback arrangement	**(559)**	(172)
	$ 13,103	$ 6,077

21. NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS:

	2005	2004
Accounts receivable	**$ (12,026)**	$(13,080)
Inventories	**1,622**	8,856
Income taxes	**1,616**	3,845
Contracts in progress and progress billings	**1,375**	(15,175)
Prepaid expenses	**1,235**	(477)
Accounts payable and accrued liabilities and other liabilities	**359**	20,146
	$ (5,819)	$ 4,115

22. BUSINESS ACQUISITIONS:

No business activity was acquired during the year ended March 31, 2005.

Business acquisitions are accounted for using the purchase method. Accordingly, the allocation of the purchase price to net assets acquired is based on their fair values.

The results of business activities acquired are included in the consolidated financial statements from the date of acquisition.

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

22. BUSINESS ACQUISITIONS *(CONTINUED)*:

The following table summarizes the net assets acquired during the year ended March 31, 2004:

Current assets	$ 186
Property, plant and equipment	20
Future income taxes	3,352
Goodwill	568
Other assets	435
	4,561
Current liabilities	3,265
Long-term debt and other liabilities	32
Net assets acquired	$ 1,264
Cash consideration paid, net of acquired cash and cash equivalents	$ 1,264

During the year ended March 31, 2004, the Company acquired the net assets of the following businesses:

- Elite Cameron Inc.: A New Jersey based business specializing in the manufacture of certain equipment for the Pulp and Paper market. The Company paid a cash consideration of $521,000 for this acquisition, which has been allocated to the Pulp & Paper Group segment.
- Innovative Flotation CC: A South African based business specialized in the design and manufacture of flotation cells. The Company paid a cash consideration of $484,000 subject to a contingent consideration that will be determined based upon future earnings of the acquired entity. This contingent consideration will be accounted for as a purchase price adjustment when paid. This acquisition has been allocated to the Process Group segment.
- 3H Mining: A division of SOI Holding Company, Inc. specializing in the manufacture of equipment for the mining market. The Company paid a cash consideration of $259,000 for this acquisition, which has been allocated to the Process Group segment.

In addition, during the year ended March 31, 2004, the Company completed its allocation of the purchase price of the net assets of EIMCO. Future tax assets increased by $3,352,000, goodwill decreased by $157,000 and current liabilities increased by $3,195,000.

23. SEGMENTED INFORMATION:

The Company and its subsidiaries conduct their activities mainly in the United States, Canada and Europe in four large business segments: the Pulp and Paper Group, the Process Group, Water Treatment Group and Manufacturing. The Water Treatment Group has been established on April 1, 2004. The operations of this Group were previously presented as part of the Process Group. The comparative figures could not have been restated.

The segments are managed separately as they require different marketing strategies. The Company measures the performance of each segment based on earnings before financial expenses and income taxes.

The accounting policies for each segment are identical to those used for the consolidated financial statements. Intersegment sales are concluded at an agreed upon amount between the segments involved.

	Pulp and Paper Group		Process Group		Water Treatment Group		Manufacturing		Other and eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenues	$ 213,255	$ 211,101	$ 293,578	$ 362,101	$ 74,819	$ —	$ 21,542	$ 21,782	$ (46,980)	$ (47,147)	$556,214	$ 547,837
Amortization of property plant and equipment, intellectual property rights and patents and other assets (excluding deferred financing costs and accelerated amortization included in non-recurring expenses)	2,780	3,819	3,400	3,235	158	—	1,281	1,202	662	482	8,281	8,738
Earnings before financial expenses and income taxes	3,934	(1,814)	27,759	35,598	3,762	—	40	289	(13,953)	(11,752)	21,542	22,321
Segment assets	90,054	102,884	204,573	202,568	24,849	—	17,679	20,329	(11,027)	1,908	326,128	327,689
Acquisition of property, plant and equipment	2,244	1,830	3,002	2,377	—	—	509	333	351	368	6,106	4,908

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

23. SEGMENTED INFORMATION *(CONTINUED)*:

The consolidated data per geographic segment is compiled based on the location of the subsidiaries.

	2005	2004
Revenue per geographic segment:		
Canada	**$ 130,482**	$ 125,380
United States	**240,016**	256,679
Europe and other	**248,866**	231,785
Eliminations	**(63,150)**	(66,007)
	$ 556,214	$ 547,837
Export sales from Canadian subsidiaries	**$ 47,685**	$ 48,153
Assets per geographic segment:		
Property, plant and equipment:		
Canada	**$ 15,022**	$ 16,289
United States	**12,554**	20,415
Europe and other	**8,990**	8,244
	$ 36,566	$ 44,948
Goodwill:		
Canada	**$ 3,510**	$ 3,568
United States	**9,762**	12,445
Europe and other	**14,396**	14,389
	$ 27,668	$ 30,402

24. FINANCIAL INSTRUMENTS:

The Company has operations in, and exports its products to, several countries and is therefore exposed to risks related to foreign exchange fluctuations, and it is also subject to risks related to interest rate fluctuations. To reduce these risks, the Company and its subsidiaries draw a portion of their borrowings in foreign currencies and use derivative financial instruments. None of these instruments are held or issued for speculative purposes.

(a) Description of derivative financial instruments:

(i) Management of foreign exchange risk:

Foreign exchange forward contracts:

	2005		2004	
Currencies (sold/purchased)	**Average rate**	**Notional amount** (1)	Average rate	Notional amount (1)
US$/$CAD:				
Less than 1 year	**0.8057**	**$ 10,073**	0.7473	$ 11,528
US$/GBP				
Less than 1 year	**1.8400**	**2,358**	1.6438	2,618
US$/Euro:				
Less than 1 year	**1.3090**	**6,699**	1.2035	4,443
Euro/US$:				
Less than 1 year	**1.3408**	**392**	1.2411	425
Euro/SEK:				
Less than 1 year	**9.0922**	**6,809**	9.2122	9,907
US$/SEK:				
Less than 1 year	—	—	7.5902	3,932
Euro/AUD:				
Less than 1 year	—	—	1.6810	500

(1) Exchange rates as at March 31, 2005 and 2004 were used to translate amounts in foreign currencies.

24. FINANCIAL INSTRUMENTS *(CONTINUED)*:

(a) Description of derivative financial instruments *(continued)*:

(i) Management of foreign exchange risk *(continued)*:

The Company had no zero-cost collar contracts as at March 31, 2005.

Zero-cost collar contracts as at March 31, 2004:

	Contractual foreign exchange rate		
Maturity	Average floor	Average ceiling	Notional amounts
In thousands of US dollars:			
2004	1.3000	1.3877	US$ 3,190
2005	1.3000	1.4050	1,950
In thousands of Euros:			
2004	1.5000	1.7260	€ 2,030
2005	1.5000	1.7500	915
In thousands of Pounds Sterling:			
2004	2.3000	2.5063	£ 360
2005	2.3000	2.4800	355
In thousands of Swedish Kronas			
2004	0.1700	0.1817	SEK 11,340
2005	0.1700	0,1810	6,300
In thousands of Australian dollars:			
2004	0.9100	1.0285	AUD 960
2005	0.9100	1.0170	700

(ii) Management of interest rate risk:

The Company and one of its subsidiaries have entered into interest rate swaps to manage their interest rate exposures. They are committed to exchange, at specific intervals, the difference between fixed and floating interest rates calculated based on the notional amounts.

The amounts of outstanding contracts at year-end, by currency, are shown in the table below:

Maturity	Notional amount	Pay/ receive	Fixed rate	Floating rate
October 7, 2005	US$19,317	Pay fixed/ receive floating	3.345%	LIBOR (3 months)
October 7, 2005	$17,500	Pay fixed/ receive floating	4.227%	Banker's acceptance (3 months)

(b) Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, temporary investments, accounts receivable and accounts payable and accrued liabilities approximate their fair value, as these items will be realized or paid within one year.

Financial instruments with a fair value different than their carrying amount as at March 31, 2005 and 2004 are as follows:

	2005		2004	
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt including current portion	**$ (47,427)**	**$ (47,427)**	$ (60,995)	$ (60,995)
Interest rate swap agreements	**—**	**(230)**	—	(1,366)
Forward exchange contracts and zero-cost collar contracts	**645**	**645**	—	527

The fair values of financial liabilities are mainly estimated based on discounted cash flows using year-end market yields or market values of similar instruments having the same maturity. The fair values of derivative financial instruments are estimated using year-end market rates, and reflect the amount the Company would receive or pay if the instruments were closed out at those dates.

(Tabular amounts in dollars are expressed in thousands, except for per share amounts.)

25. COMMITMENTS AND GUARANTEES:

The Company has entered into operating leases for premises and equipment with total minimum lease payments of $21,156,174, which expire at various dates until 2013. Minimum lease payments for the next five years and thereafter are as follows:

2006	$ 5,727
2007	3,887
2008	2,729
2009	2,462
2010	2,339
2011 and thereafter	4,012

The Company is also committed under letters of credit and corporate guarantees. At March 31, 2005, the Company had commitments totaling $53,737,000 ($68,685,000 in 2004).

26. CONTINGENCIES:

A certain number of claims and suits have been brought against the Company and its subsidiaries. In the opinion of the management of the Company and its subsidiaries, the outcome of such claims and suits will not have a materially adverse effect on the Company's results or its financial position.

A subsidiary of the Company is being sued for damages ensuing from an incident arising and involving non-strategic activities sold by the subsidiary in 1999. The Company was also made aware of a similar incident, for which the subsidiary received a notice of intent that it would be held liable for costs related to that incident. The subsidiary of the Company referred these claims to its insurers and legal advisors. It is not possible to determine the ultimate responsibility of the subsidiary of the Company, nor to estimate the amounts involved.

27. SUBSEQUENT EVENT:

On April 1, 2005, the Company acquired certain assets from Jones & Attwood Limited ("Jones & Attwood"), a British company operating in the Birmingham region (England), and of its wholly-owned subsidiary, Jones and Attwood, Inc., operating a sales and services centre in Chicago (Illinois). The transaction, that was concluded at a cost of approximately 5 million dollars, relates more specifically to Jones & Attwood's operations and assets in the water treatment sector (excluding real estate assets). These operations consist of the design, manufacturing, marketing and installation of effluent liquid-sold filtration and separation process equipment targeted mainly for municipalities as well as an industrial customer-base. During the last complete fiscal year, these operations generated sales of approximately 15 million dollars, of which 68% were in Europe, 28% in the U.S. and 4% in the Asia – Pacific area. Founded in 1836, Jones & Attwood has proven intellectual property and technologies, a recognized trademark and a significant installed equipment base in Europe and elsewhere around the world. The purchase price allocation will be completed in the 1st quarter of fiscal 2006.

DIRECTORS AND OFFICERS

Directors

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer of GL&V

Michel Baril (1)(2)
Director of Corporations

Claude Boivin (1)(2)
Director of Corporations

Denyse Chicoyne, CFA (1)
Director of Corporations

Robert Dorion
Partner,
Gowling Lafleur Henderson LLP
Law Firm

Sylvie Lalande (2)
Director of Corporations

Louis Laperrière (2)
Chairman of the Board,
HMI Construction Inc.

Bernard Lemaire
Chairman of the Board,
Cascades Inc.

Pierre Monahan (1)
President, Canadian Forest Products Division,
Bowater Forest Products of Canada Inc.

William Saulnier
Executive Vice-President
and Chief Financial Officer of GL&V

Richard Verreault
Executive Vice-President
and Chief Operating Officer of GL&V

(1) Member of the Audit Committee
(2) Member of the Corporate Governance and Human Resources Committee

Officers

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer

Richard Verreault
Executive Vice-President
and Chief Operating Officer

Marc Barbeau
Vice-President,
Taxation and Treasury

Robert Coomes
Vice-President and General Manager,
Dorr-Oliver Eimco – Americas

Robert Gaulin
Vice-President,
Human Resources

Michel Gélinas
Vice-President and General Manager,
Pulp and Paper – Canada

Klaus-Dieter Grüner
Senior Vice-President,
Corporate Projects

Gwen Klees
Director,
Legal Affairs

Graham Lawes
Vice-President and General Manager,
Dorr-Oliver Eimco – Southern Africa, Australia and Singapore

Pierre Lépine
Vice-President,
Corporate Development

William Mahoney
Senior Vice-President,
Pulp and Paper Group

Valère Morissette
Vice-President and General Manager,
Operations – China

Sylvain Ouellette
Vice-President,
Control and Accounting

William Saulnier
Executive Vice-President
and Chief Financial Officer

Mikael Sundqvist
President and General Manager,
Pulp and Paper – Europe

Douglas Wetherbee
Vice-President, Engineering
and Information Technology

David Woodruff
Vice-President and General Manager,
Dorr-Oliver Eimco – Europe

INVESTOR INFORMATION

Note: *All share data reflect the two-for-one split, effective March 24, 2005, of all Class A Subordinate Voting shares and Class B Multiple Voting shares.*

SHARE CAPITAL *(as at March 31, 2005)*

Shares	**GLV.SV.A** (subordinate voting)	**GLV.MV.B** (multiple voting)
Number outstanding	21,122,065	2,863,815
Public float	17,354,165	1,070,407
Record high/low	$14.25/$1.65	$14.00/$0.98
High/low over last fiscal year	$14.25/$8.50	$14.00/$9.00
Trading volume	6,274,700	200,400
Share price as at March 31, 2005	$13.50	$13.40
Share price as at June 10, 2005	$11.65	$11.50

STOCK PERFORMANCE

Compound Annual Growth Rates of the Class A Share Price:

1 year: **50%**
3 years: **33%**
5 years: **37%**

Brokerage Firms Covering GL&V's Stock
BMO – Nesbitt Burns
Dundee Securities Corporation
National Bank Financial
First Associates
Raymond James
Scotia Capital
Desjardins Securities
Sprott Securities

Investor Relations
Pierre Lépine, Vice-President, Corporate Development
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Email: pierre.lepine@glv.com

2005 Annual Information Form
Available on the websites of SEDAR (www.sedar.com) and GL&V (www.glv.com) or upon written request at GL&V's Head office

Annual General Meeting of Shareholders
Thursday, August 4, 2005, at 4 p.m.
Omni Mont-Royal Hotel
Pierre de Coubertin Room
1050 Sherbrooke Street West
Montreal, Quebec

Financial Reporting Schedule
(preliminary)

1st Quarter	August 4, 2005
2nd Quarter	November 3, 2005
3rd Quarter	February 2, 2006
4th Quarter and Fiscal 2006	June 1, 2006

GL&V's press releases are sent out on the newswire in English and French, and may also be consulted on the websites of SEDAR (www.sedar.com) and the Company (www.glv.com).

OTHER INFORMATION

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Computershare Trust Company of Canada

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KPMG LLP

Legal Counsel
Gowling Lafleur Henderson LLP

Financial Communications
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